MARCH 29, 1933

THE BUSINESS WEEK

Figures still slide down hill and business sentiment still climbs upward—a paradox simply enough explained. Figures record the past, sentiment looks ahead, encouraged by swift and resolute governmental action. Even Europe feels hopeful of us, as shown in the money markets. . . . Beer becomes legal, stimulating some construction and some sales of equipment. The farm legislation and an attack on farm and small home mortgages which will follow should enable the farmer to buy more next year. . . . Vigorous reorganization of the railroads is in the offing. First forecasts of the permanent banking bill sound encouraging. The public shows every confidence in the banks which have reopened. But it will be weeks before the backwash of the banking holiday ceases to affect business and distort statistics. . . . Including our index. . . . Detroit's peculiar and highly individual troubles have wide repercussions. Resumption of steel production, for example, leaned heavily on motor manufacture, delayed and harassed by lack of banking facilities. Funds tied up in closed banks contributed to the slowing up of construction, particularly public projects. Private residential building is making a fair showing. Currency outstanding has been reduced somewhat. Bonds sell above pre-holiday levels even after some reaction from the top. The Federal Reserve statement shows a much improved financial situation. . . . Europe feels better all around. Mussolini obviously intends to exert his influence in behalf of peace. Hitler, imitator of Mussolini before seizing power, shows signs of imitating him afterward, too—by turning more conservative.

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THE BUSINESS WEEK

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Permanent Bank Reform

Administration program includes affiliates divorce, investment regulation, Federal Reserve discipline, compulsory Reserve membership, slow extension of branch banking, to be enacted in that order. Congress would go further—insists on deposit guarantee by insurance.

WASHINGTON (*Special Correspondence*)—The Administration's program for permanent banking legislation apparently will include:

Separation of security affiliates from commercial banks;

Restriction of the type of securities in which banks may invest depositors' funds;

Additional disciplinary powers for the Federal Reserve;

Unification—that is, compulsory membership in the Federal Reserve;

Branch banking, to be extended by slow steps.

Guarantee Plans

Deposit guarantee by mutual insurance is not part of the Presidential program, nor is it favored by Federal Reserve authorities, but the sentiment in the Senate and House is overwhelmingly in favor of it. Unless the President has the power and the inclination to thwart the will of Congress, it is likely to be enacted.

Congress will not be asked to take all this banking legislation in one bite. Instead, there will be a series of bills. They are likely to be presented in just about the order indicated above. The less controversial proposals, which can be enacted promptly, will come up first. Most important of these are contained in the Glass bill, which will be broadened in the provisions regulating underwriting of securities by banks and regulating bank investments. The branch banking provisions are likely to be put into a separate bill, perhaps much modified from their present form. Senate sentiment seems to incline toward arriving at branch banking through slow extensions, step by step.

Regulating Loans

The Senate Committee on Banking and Currency wants to prohibit banks from investing more than their capital funds in long-term investments, and strongly favors granting the Federal Reserve Board power to enforce changes in personnel of member banks when mismanagement has been discovered. Incidentally, it has been said that no member bank failed up to the end of 1931 which had not been warned at least twice by the Federal Reserve of violations of regulations.

The committee is expected to recommend a bill not only making membership of all banks in the Federal Reserve compulsory, but also forcing all banks to take out national charters, so that all may be administered under one law.

Plenty of Votes

Members of the committee say they do not believe 10 Senators will vote against compulsory bank deposit insurance. The House is on record in favor of deposit guarantee, and Steagall (Ala.), a real leader in the House, is strongly in favor of it. So if the President decides to oppose such a measure, he can be sure of a real battle.

The President and Secretary Woodin are both strongly opposed to the federal guarantee of bank deposits—so is a majority of the Senate, which favors insurance, instead.

But there is a strongly rooted suspicion that the President opposes insurance. His opposition to federal guarantee is based on the argument that it removes all fear of punishment and hope of reward for honest, conservative, intelligent banking as against too liberal, unwise, and dishonest banking. He might consistently argue that mutual deposit insurance would make depositors indifferent to the character of the bankers with whom they dealt.

Counter-Arguments

Proponents of mutual insurance would have to admit this is true, but they counter vigorously that insurance, properly set up, still penalizes bad banking. No deposit insurance fund should be drawn upon to make losses good until the stockholders had paid to the limit of their double liability. That ought to be sufficient assurance of careful risk-taking.

Acme

NEW MONEY—In the first photographs to be taken in the Bureau of Engraving and Printing in some years, Secretary Woodin (center), Assistant Secretary Douglas (left) and Alvin W. Hall, director of the Bureau (right), look over the new currency which will be issued as needed.

Gold Round-Up

The Treasury's itch for gold provides the churches with a new source of income.

"MEMBERS, neighbors, friends, we announce on behalf of our church work the Crucible Campaign." With this introduction from the pulpit, a new and up-to-date type of good works is added to the ministrations of the church—any church. If you know one that's a good prospect and the lead brings business to the Crucible Service of Philadelphia you can add $2.50 to your Sunday morning envelope.

The Crucible Campaign is devised to round up "fragments" of gold and silver—"those old watches which have long ceased to run, those rings with the settings gone, those spectacle frames, chains, bracelets and pins that no one wears." (And "Ask your dentist for one or two pieces of gold dental scrap. For this worthy cause he will be glad to give you this bit of help.")

Rounded up, first by the church's Crucible Committee (minister and ladies) and then by The Crucible Service, the "fragments" go to the U. S. Mint, Secretary Woodin does a pirouette, the Philadelphia business men pocket 30% of the recovery value for services rendered, and the church adds the rest of the proceeds to its welfare funds. The Crucible Service supplies the necessary copyrighted literature, including "Crucible envelopes," and the drive that is so necessary to such good works.

The Treasury's current interest in gold is stimulating a number of gold recovery plans of this kind. Women's clubs have been instrumental in bringing many a discarded heirloom out of hiding. Members of the Hastings Women's Club have opened a non-profit "Swap Shop" which gives the needy a chance to turn in their family jewelry, if any, for cash. The ladies recover the cash from a New York gold broker. One day's operations resulted in the exchange of about 500 pieces of miscellaneous jewelry, including a Phi Beta Kappa key, for $300. Washington reports active solicitation of gold by house-to-house canvassers.

International News

MORE ADVISORS—Prof. Adolph Augustus Berle, Jr., (left) and Charles W. Taussig leave the White House after conferring with the President. Berle co-authored "The Modern Corporation and Private Property," which has aroused considerable comment for its bold presentation of the facts of business life. Taussig wrote "Rum, Romance, and Rebellion."

Old Banks and New

Reopened banks doing 100% business unhesitatingly accepted by the public, and judgment is suspended on the rest. Non-members of the Federal Reserve will be helped, but not given preference. New banks are in the offing, via the preferred stock route.

THE fully reopened national and state banks that are members of the Federal Reserve system met with unreserved public confidence. The public accepted the word of the President that their deposits in the reopened banks are safe. According to latest calculations, at least 13,541 banks out of a total of 17,601 banks are again doing a banking business. In compliance with the President's request, judgment on the partially opened national banks under conservators and on comparable state member banks should be suspended, because additions to the fully opened list will come along slowly as merit is clearly established, or tangled situations ironed out. In spite of the tremendous pressure back of state officials, the selection of banks for reopening was done with considerable care. Instances of successful wire-pulling apparently are rare.

Important problems remain to be cleared up. The most pressing one is to make sure that the banks that have opened shall be kept open. For the national banks, and those state banks that are members of the Federal Reserve system, legislation will now be worked out and administrative facilities provided that will justify public confidence. A new wave of bank suspensions, after the recent banking crisis, would be a national calamity of first magnitude. However, there appears to be little danger that any sort of weakness will develop with the member banks.

The next important problem is to deal with the state banks that are not members of the Federal Reserve system. Immediately after the emergency banking legislation was passed, Governors Lehman of New York and Ritchie of Maryland called attention to the exposed position of the non-member state banks, pointing out that these banks were unable to avail themselves of the new currency. The Federal Reserve banknotes which were to be used to discount eligible paper in portfolios of the member banks were not made available to non-member banks. The Senate promptly took up the matter and an amendment was rushed through the Senate giving non-member banks access to the federal funds. The scheme, however, did not commend itself to the Treasury and to those Senators who were eager to use

this opportunity to corral all state banks into the Federal Reserve system. The House held up the Senate amendment and it now appears that the Robinson amendment will be so worded that, while it will permit non-member banks to borrow from the Federal Reserve banks, these non-member banks will be required to put up reserves and abide by all Federal Reserve rules while they are in debt. The Federal Reserve might be willing to help non-members, but after all, it could hardly be expected to put them on a preferential basis! This will emphasize to all bankers the advantages that go with membership in the Federal Reserve system, and more than anything else will stop the argument that state banks constitute none of the federal government's business.

An Alibi Spoiled

State banks cannot claim to be independent of the federal government when they run to it in time of trouble. The situation validates the contention that since the Federal Reserve system bears the ultimate consequences of any large scale development in the banking situation, it has a responsibility for all, and therefore should have supervision over all banks. In so far as the public interest is concerned, banking is regarded as truly interstate as is rail transportation, which long has been under federal regulation. This is the justification for ending the anomalous system of having non-member state banks responsible neither to the Comptroller of the Currency nor to the Federal Reserve banks.

Besides the problem of the state non-member banks which have opened either fully or under conservators by authorities of the state banking departments, there is the pressing problem of dealing with big banks in big cities which had been wrecked by big bankers speculating with real estate and other promotions. Such banks exist in Baltimore, New Orleans, Detroit, Cleveland, and other cities. Detroit, for example, has not had any banking services for more than a month and must have new banks to serve a wide area. The same is true of several other cities.

The question is—whence shall come the capital to set up these new banks and partially reimburse depositors? In part, wherever possible, it will be squeezed out of the stockholders who are doubly liable. But that may prove a sterile and difficult job because most stockholders will be found to have been already ruined.

Detroit Plan Adopted

An indication of what will be worked out comes from the announcement that the Reconstruction Finance Corp. has adopted the Michigan Plan and will supply half the capital funds necessary to reopen the Detroit banks. The policy provides for formation of a new corporation to take over the banks' liquid assets, the additional contribution of capital to be made by local interests, but the supervision of the new corporation to rest with the R.F.C. through its control of preferred stock.

The new emergency law provides that when new banking associations are formed, preferred stock entitled to 6% cumulative dividends may be issued, and that holders of such stock shall have voting rights until the stock is retired.

$25 Millions Needed

With this provision in mind the R.F.C. has agreed in the Detroit situation to help the new banking company take over the liquid assets of the closed banks in that city, and General Motors will add an equal sum.. The total amount which was found to have been required to reopen the Detroit banks was $25 millions.

This, then, forms the pattern upon which new banks will open upon the wreckage of the old in the larger industrial centers. It places the federal government, through the R.F.C., in direct control of many of our larger banking institutions. The R.F.C. will be permitted to sell this preferred stock and the public also will be permitted to subscribe.

Whether depositors in closed banks may utilize their frozen deposits for purchases of preferred stock has not as yet been decided by the Treasury. The Act says that preferred stock must be paid for in cash. If the Treasury department interprets this situation to mean that a depositor can pay for his preferred stock with a check on his deposits, thereby substituting the preferred stock for the amount of frozen deposits, and if substantially all depositors follow this plan, some $6 billions of frozen deposits will be converted into preferred stock which will cost depositors little since otherwise they will probably never get all of the deposits. At the same time the bank, by the elimination of a proportion of its deposits, will be made liquid.

Here's the Line-Up

If, on the other hand, the depositors must raise additional funds to buy preferred stock, it seems unlikely that many of them will do it. In that case the money will have to be raised by outsiders, probably under the plan now proposed in Detroit.

We may summarize the present bank line-up as follows: (1) National and state members of the Federal Reserve system which have been licensed for reopening for normal activity by the federal authorities; (2) state non-member banks which have been licensed to reopen 100% by state authorities, but which demand access to Federal Reserve funds for borrowing purposes; (3) national banks under control of conservators appointed by the Comptroller of the Currency which are permitted to carry on such operations as the conservators, with the approval of the

Acme

FRANCE SUPPORTS THE DOLLAR—Painted on the back bar mirror of this Paris "American Bar" is an exchange rate most comforting to Ernest Hemingway's expatriates. "We have confidence, here," reads the placard.

Comptroller, approve; (4) state member banks which under recent new rulings are permitted with the approval of state authorities to make limited payment to depositors and other creditors; (5) state non-member banks not reopened which are placed under the jurisdiction of state authorities; and (6) national and state member banks which as yet have not opened and which in part (*a*) may still be opened under conservators or for full operation, (*b*) those which may require new capital either from the public, from depositors, or the R.F.C., and (*c*) those that will remain closed.

Devaluation

Some of Roosevelt's influential advisers want the dollar kept cheap abroad, and eventually made lighter here.

WASHINGTON—While the Federal Reserve Board clings to the view that this country will be back on the gold standard, internationally, within a few days, there are some potent advisers of the President who are urging a very different course.

Their plan provides for an ultimate return to the gold standard with the amount of gold per dollar reduced. This to be done perhaps next fall, perhaps even later.

Meantime they would continue the ban against shipments of any but earmarked gold. They would not permit exports to maintain the parity of the dollar. In fact they do not want the parity of the dollar maintained.

They believe in the meantime the United States will benefit in international trade by having the dollar marked down somewhat. Not as much as Britain has marked down the pound, but certainly a little, to compensate for losses in foreign trade occasioned by depreciated currencies of our competitors.

The Ultimate Goal

The ultimate marking down of the gold value of the dollar they desire is primarily to lift the burden of debt, not only from individuals in this country, but also from governments—national, state, and local. They contend that while in a sense it is a capital levy, actually unless the gold value was marked down much more than any of them advocate no injustice would be done—the value of the dollar would still be much greater than it was four years ago.

Thus on insurance policies, payments on death claims would have less gold value than was anticipated during the period during which premiums were paid, but the purchasing value of the dollars would be greater than during most of the average period.

Britain, they believe, will never return to the old parity for the pound. This last they believe impossible, in addition to the same arguments they make for their plan here, because Britain, never having paid off any of her national debt since the Napoleonic wars, will not be able to carry the load of interest on her bonds unless the gold value of the pound is permanently kept down.

Legal Beer?

Nobody knows, and nobody even knows how to find out. Usual routes to the Supreme Court have been blocked.

WASHINGTON—How to get the constitutionality of the Beer and Wine bill just passed by Congress before the Supreme Court is giving the Drys much concern.

Normally, when it is desired to test the constitutionality of a law, someone violating it is arrested and convicted. Then his lawyers appeal to higher courts, and finally to the Supreme Court, holding that the law under which their client is about to be punished is in violation of the organic act.

But a brewer making a beer not exceeding 3.2% cannot be arrested. Nor can anyone selling it or transporting it in such states as also permit it. He has violated no law. And the high court has never consented to consider academic questions.

Hence the ordinary way of doing the thing is not open.

There is talk of injunctions, but Senate constitutional lawyers doubt very much if this would hold water in the courts. Certainly, they say, it could apply only to individual cases. There would have to be an injunction in each case. But they question whether a court would grant an injunction to prevent anyone from doing a thing which was not in violation of law.

It all gets back to the point that the Constitution is not self-enforcing.

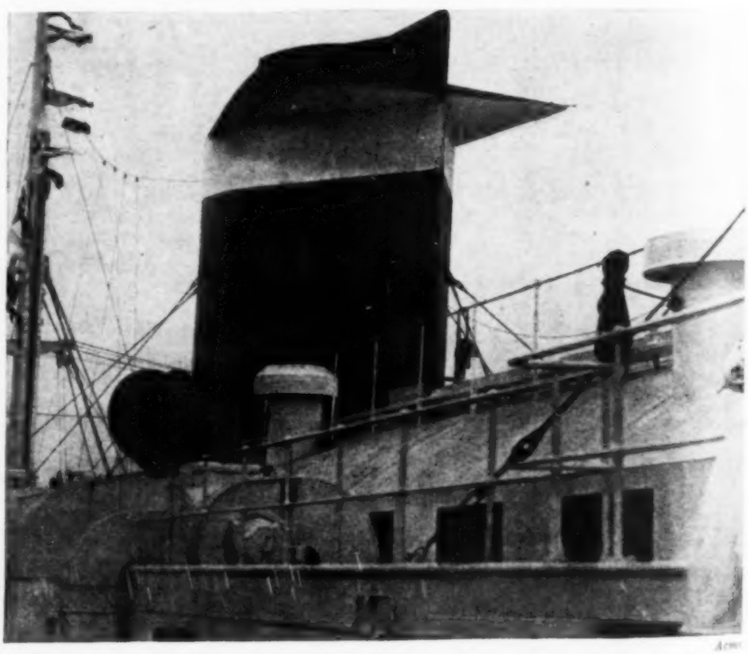
Here is the only sound legal method, according to Washington lawyers, of getting the Beer and Wine bill before the high court:

A man in one wet state buys beer from a brewer, and sells it to a man in another wet state. The second man refuses to pay for it. The first man sues to recover. The second man fights the suit on the ground that the law permitting the sale and transportation is unconstitutional.

Collusion?

It would have to be done in two wet states, for otherwise existing law would be sufficient, and the moot point of the new law would not be considered by the courts. It would have to be done by conspiracy because no brewer would sue a customer who resisted on that ground. He would charge it up to profit and loss and put that customer on the black list.

Hence it involves conspiracy, and there is some wonder what the high court would think about that, for the newspapers would be full of the fact that it was a conspiracy and not a bona fide case.



Acme

FISHTAIL FUNNEL—The new Grace liners have a forward stack of aerodynamic design developed at the Guggenheim Aeronautical Laboratory, planned to carry off the smoke and gases clear of the decks.

Keystone

IRATE IOWANS—Members of the Iowa Farmers' Holiday Association, 2,000 strong, storm the state capitol at Des Moines to demand relief from taxes, interest charges and debts, before a joint session of the legislature.

Roosevelt Relief

Administration's unemployment plan starts by putting the jobless in an army, will be judged by how it enlists public works in the recovery drive.

WHENEVER inquiring reporters have asked "the man in the street" what he would do about the unemployed, "Enlist them in the army" has figured prominently on their list of replies.

"Enlist them in the army" is, in principle, at least, the first official reply to the same question by the man in the White House.

As forecast (*BW—Mar22'33*), Mr. Roosevelt's proposal to enroll jobless men in an army of forestry, soil erosion, and flood control workers was the most spectacular proposal in his unemployment relief message of last week. It is not the most important. That ranking may be expected to go to the "broad public works program," specifications on which are postponed pending further study. In how far the President applies public works to the creation of jobs and promotion of recovery will lie the real test of his relief philosophy.

Further Funds Needed

Something of this must also come out in the degree of aggressiveness which the Administration shows in asking for appropriations to cover grants to the states for relief work. Present funds for this purpose are expected to last until May. Before the special session is ended further appropriations must be made. "A continuance of federal aid is still a definite necessity for many states."

Betraying the expected distrust of confusion, if not of the R.F.C., the President asks power to set up what critics will label "another dictatorship." Congress is called upon to establish the office of Federal Relief Administrator. Its duties and responsibilities will make it a far cry from the offices fleetingly occupied under the Hoover administration by Colonel Woods and Mr. Gifford.

The program for a "civilian conservation corps" is hailed as a masterstroke by politicians, even by relief experts, though William Green of the American Federation of Labor is suspicious of "military control."

The kinds of work it will do, according to the President's present prescription, will add nothing to production. Its members will take jobs away from no one now employed. Their morale will be bucked up by the thought that the President feels that their services "will pay dividends to present and future generations," and by the fact that they are to be removed from hopeless quests on the city streets. Even if the dividends proved to be illusory, say the technicians of relief, the provision of jobs and illusions for those who have had neither would be worth the price. The immediate price, incidentally, is to be paid out of unobligated funds, now appropriated for public works.

Mr. Roosevelt was not too specific as to the exact projects on which he will employ this $30-a-month army "by early summer." Washington correspondents say that little has been heard at the White House of the Tennessee valley project that echoed through Warm Springs after his return from the pilgrimage to Muscle Shoals. His advisers expect to find no dearth of the kind of projects he suggests. They comment again on his "luck." Ohio river floods of last week caught the headlines just in time to help him sell his program to Congress and the public.

Outsiders who break through the President's persuasive optimism to the fact that, after all, the program will make jobs for only 250,000 of the 15 millions estimated to be in need of them, are referred again to the "broad public works program" that is to follow.

It becomes clear that Mr. Roosevelt has once more proposed an emergency plan, meeting the public demand for action, giving a further boost to the recovery of confidence by his promise of action, leaving more sweeping solutions of the problem for a later date. By doing this he has also postponed consideration of the bond issue that was generally predicted. Even those who do not belong to the "narrow" school of budget-balancers wonder if this was not a wise move, pending further subsidence of present fiscal disturbances.

Comic Relief

Congressional plans for relief legislation are, of course, not confined within the limits of the Executive's recommendations. Senator Wagner, relief specialist of the upper house, has insisted ever since the Hoover veto of his alternative, that there is a job to be done on Mr. Doak's comic system of federal employment agencies. "The establishment of a nation-wide coordinated system of employment offices" is a program in which he may expect the enthusiastic cooperation of the new Secretary of Labor, Miss Perkins. Federal encouragement of state unemployment insurance systems is also on the schedule. But public attention will continue to center on the White House.

Job Exchanges

Pacific Coast unemployed groups organize to live without cash.

RELIEF workers are watching the development of an unusual experiment on the Pacific Coast, directed by the "Unemployment Exchange Associations"

Wide World

THEY WATCH THE MARKET—Henry Morgenthau, Jr., new chairman of the Federal Farm Board and his assistants, Herbert E. Gaston (left), secretary, and Dr. W. I. Meyers (right), who left Cornell on leave of absence to aid in drafting farm credit plans. Mr. Morgenthau promptly installed a ticker to keep an eye on marketing possibilities.

which have been set up in many of the Coast cities. A typical organization has been in operation in Oakland, Calif., for about 8 months, with more than 600 families enrolled.

These have been divided into 22 vocational groups, each of which elects a director on the board of control. This board meets every afternoon to discuss and settle problems arising in the preceding 24 hours. Each vocational group has a contact man to spot possibilities of exchanging services for apartment rent, food, clothing, gasoline, junk cars, anything that can be used or sold.

These groups refuse charity and are reported to have achieved such a good reputation for fair dealing that land owners have been turning over to them the working of farms on a crop-share basis. Associated Oil Co. has arranged to have them operate a large service station, taking their pay in gasoline.

A California state convention of Unemployment Exchange Associations brought together representatives of 85 such organizations; 45 of them from Southern California reported that they had fed, clothed and sheltered 7,000 for 6 months on a cash outlay of $12.

Idle Acres

Administration's pack of agricultural relief tricks is bound together by the theory that the best way to help the farmer is to pay him not to farm.

THE Administration's Farm Relief bill, as submitted to Congress, had all the earmarks of a document hastily drawn to the specifications of divergent and conflicting groups. The President himself was not sure about it. He promised repeal if it didn't work. But hasty action was called for. Spring crops were being planted and the fundamental idea of this latest plan was to cut down crops by reducing the acreage for planting.

All items in the new bill converge on that point. In one way or another, the farmer is to be paid to limit his acreage, to eliminate submarginal land from production: thus to permit the utilization of our huge carryovers and bring production into line with effective demand.

Here Mr. Roosevelt parts with all preceding agricultural programs. The equalization and debenture plans of sainted memory were price-raising schemes pure if not so simple. Both proposed to boost domestic prices and dump surpluses abroad. Under the McNary-Haugen bill, losses in consequence of such dumping were to be made up by an equalization fee assessed upon benefited farmers; in the debenture formula they were to be borne by taxpayers. While Mr. Hoover's Farm Marketing Act of 1929 contained a provision for orderly production, this was entirely ignored in the subsequent operations of the Farm Board it set up.

However Congress may modify the present bill—and there are indications of considerable simplification and revision in the wind—it is dealing with a new set of fundamentals this time. Crude price-fixing and dumping are wholly abandoned. In their place, the legislators confront a scientific land utilization program, inherent in all three of the proposed attacks on the farm problem.

Acreage reduction is, of course, explicit in Mr. Roosevelt's resurrection of the Smith cotton pool. By this, the planter who agrees to decrease his acreage 30% without increasing his fertilizer applications to the remainder gets an option on enough of the Farm Board's cotton holdings to make up for the number of bales thus sacrificed from his 1933 crop. Presumably, Secretary Wallace would quote him 6½¢ per lb. on this cotton, approximately the present spot price at New Orleans. Presumably a 30% cut in cotton acreage would reduce the crop 3½ million bales from the 1932 level. And presumably the remaining 8½ million bales plus the estimated July 1 carryover of 5½ million to 6 million bales would rate a market of at least 10¢ per lb.

If it all worked out that way the cotton planter who now grows 30 bales and gets $975 for his crop at $32.50 a bale, would grow 21 bales, sell them at $50 a bale for $1,050, and make, in addition, 3½¢ per lb. on the 9 bales of 6½¢ Farm Board cotton obtained in lieu of his surrendered acreage. With this profit of $157.50 on his option, his gross under the new deal would be $1,207.50 instead of $975, the $232.50 being his reward for acreage reduction. Since planters who enter such agreements may be expected to put their least productive land out of cultivation, the crop reduction probably wouldn't be proportionate to the acreage cut and things wouldn't work out quite so neatly. But the farmer should profit and the purpose of the bill be served by the elimination of the submarginal land.

On the question of whether a 14-million-bale crop (8½ millions grown plus 6 millions carryover) would sell above 10¢ per lb., authorities note that 2 successive crops of 14 million bales in 1928 and 1929 averaged 17¢ per lb.; a 13-million bale crop in 1924 averaged 22¢. So 10¢ seems more than reasonable even in these times.

As for the consumer in these times, the bill provides for his interests by ordering the Secretary of Agriculture to sell all the Farm Board cotton he can market whenever the price gets to 10¢, thus holding it there. Incidentally, the bill authorizes him to take over the holdings of the board and its cotton stabilization subsidiary with R.F.C. money.

Buying Them Off

The second method by which acreage cuts may be brought about under Mr. Roosevelt's program is land-leasing, which also had President Hoover's approval. Provision for this would empower Secretary Wallace to bargain with farmers for government leases on land which they are willing to take out of production. The intention is that the Secretary will close contracts for the poorer land, which will naturally be available at lower prices. Again submarginal land will be eliminated and the farmer will be rewarded—by straight cash this time—for cutting down his acreage. Funds to pay the bill are to come from taxes on processors of farm products—accompanied, it appears, by vociferous protests.

The third attack is by way of the familiar voluntary allotment plan (*BW—Jan18'33*), not confined to cotton, wheat and pork as originally, but taking in also corn, cattle, sheep, rice, and milk products, where again a sacrifice of production is to be rewarded.

In all this the Secretary of Agriculture is given extensive powers—to determine how much to tax processors, to say how far agricultural prices are to be permitted to advance, and to decide how taxes and benefits are to be shifted so that prices may be kept on a parity with each other and with those of nonagricultural products.

Processors Incensed

As already indicated, the bill met immediately with violent opposition. Processors, in particular, were incensed because they were invited to participate in the preliminary discussions and then found their wishes ignored. Their objections center on the fluctuating tax feature of the bill which much resembles the parity plan previously fought over (*BW—Jan18'33*). In view of the objections that have arisen, many of the farm groups have already disowned parentage of the bill. The section which now seems to have the best opportunity of becoming law is that providing for straight land-leasing, with the leasing fund raised by small, uniform percentage taxes on a wide variety of products.

So far, the Administration has not touched on the need of reorganizing farm credit. Further legislation is expected: to make additional provisions for handling farm mortgages through the Federal Land Banks and probably the R.F.C.; to centralize intermediate and crop loan credits.

Farm Dictator?

Secretary Wallace is a type farmer rather than a dirt farmer. Mordecai Ezekiel ploughs figures rather than furrows. But they know their jobs.

WHEN and if the New Deal-ers put through their Farm Relief Bill, the commissar of agriculture will be Secretary of Agriculture Henry Wallace. The Middle West hailed the appointment; Iowa was loudly enthusiastic. In that kingdom of fat hogs and rank corn the weekly, *Wallace's Farmer*, has been for generations a guide to right-living and scientific husbandry. It was founded by the Secretary's grandfather, who was a minister. The second editor was Secretary Wallace's father, who died a few years ago, leaving the son as owner. Appearance of once-prohibited cigarette advertising in the publication is an indication that the *Farmer* encountered trouble during the slump. Infected by the boom bug, it bought the *Homestead*, acquiring therewith a large office building. Mortgages were given in payment and these proved troublesome when advertising revenue fell away.

Secretary Wallace is 44 years old. All his life he has studied agriculture, approaching it from a scientific viewpoint tempered by recognition of human values. He perfected a seed-corn yielding 4 to 10 more bushels to the acre than common varieties. He reduced to a definite system weather cycles in their relation to corn production. Prophecies on the after-war depression of farm prices came true. Our hope of rebuilding foreign markets for farm produce, he thinks, lies in tariff reduction and its encouragement to international trade. Wallace believes in helping the farmer by refinancing his indebtedness, "liberalizing the money standard," legalizing domestic allotment. He doesn't say that the last will be permanently beneficial, but justifies his stand by contending that agriculture deserves protection if it is given to industry. Paradoxically, he is a vegetarian in a state which prides itself on size and numbers of its hogs.

Beside the seat of power stand Rexford Guy Tugwell, of the Brain Trust (*BW—Mar22'33*), and tall, lanky Mordecai Ezekiel. Tugwell is Assistant Secretary, Ezekiel is Economic Advisor to the Secretary. Ezekiel developed a remarkable system which has been applied by the federal Bureau of Agricultural Economics to forecast production, acreage, and prices. He helped reduce to a mathematical process the action of all factors affecting supply and demand. His tables show the exact acreage increase that follows each point of price advance.

Ezekiel studied at the University of Minnesota and at the Robert Brookings Graduate School, Washington. Earning a Guggenheim fellowship, he made a searching study of European agriculture. On his return he became a member of the Federal Farm Board staff. The fact that he served under a conservative Republican administration did not prevent his attacking trade barriers, especially the high American tariff. To this cocksure and plunging young theorist inclusion among kindred souls in President Roosevelt's administration must be like an invitation to a Promised Land of economics.

Acme

WASHINGTON FARMERS—Left to right are Rexford Guy Tugwell, formerly of Columbia, now Assistant Secretary of Agriculture, Dr. Mordecai Ezekiel, economic advisor, and Henry A. Wallace, Secretary of Agriculture.

Refrigerators

Competition brings out new sales points; the electric refrigerator makers, like the automobile makers, offer more performance for less money in their new models.

THE refrigerator industry does not hire a hall to show off its new models, Grand Central Palace and the Coliseum are not thronged with gaping crowds who have paid to see the latest thing in ice cubes, but otherwise the electric refrigerator is developing in much the same way as the automobile. It has already, or soon will have, the same replacement problems, the trade in troubles, and the new model opportunities.

This year's new models, like this year's automobiles, are engineered for a substantially lower price level. They have new features which correspond to streamlining and floating power and free-wheeling. Most important of these sales points is automatic defrosting, which cuts in half the labor of the housewife, making it necessary to flip a switch only once, for when defrosting is completed, refrigeration starts up again without further thought and food is kept properly through the cycle.

This is the year that the big companies break a hundred. Electric refrigerators have been priced before at less than $100, but this is the first time that the standard lines have been marked as low. Frigidaire, General Electric, and Kelvinator are the "Ford, General Motors, and Chrysler" of the industry, so to speak. Their base prices this year average $97.50; last year's typical base price was $112.50, and in 1931, the lowest price for a standard box was in the neighborhood of $140.

G-E Breaks $100

General Electric set the pace early this month when it announced that the "G-E Junior," introduced last year at $135 (*BW—Sep28'32*) would sell for $99.50, installed, tax paid, freight extra. Kelvinator last week cut its lowest price box to $97.00, guaranteed that price for 40 days. Leonard reduced its base price from $112 to $97 the same week. And this week, Frigidaire announces a new low price of $96. Last year's lowest price box to carry that nameplate cost $137.50.

Introduction of the General Electric line tied in nicely with the publicity on the G-E–Warner Brothers special train (*BW—Mar22'33*). Advertising goes into high gear in April to back up the 9-week national sales campaign. The line includes the flat-topped G-E Junior, the standard Monitor Top, and a new de luxe Monitor Top group with foot-pedal door-opener, electric light, stainless steel freezing chamber, and other refinements inside and out.

Frigidaire features economy of operation in its low-priced line. The standard models "use no more current than an ordinary light bulb." In this line are some revolutionary changes in design. The one-twentieth horsepower motor is electrically welded into the compressor shell, making a unit the size of a derby hat, weighing about 26 lb. The super models have porcelain exterior as well as interior finish, hydrators, electric lights, greater ice capacity.

Both series offer automatic defrosting; both have the cooling unit in the middle of the top shelf rather than at the side, perhaps with an eye to the future, for almost all models will take a full case of beer "next the ice." And both feature patented ice trays with handles which loosen them at the first pull. The aluminum foil insulation first used by Frigidaire last year is continued. It permits better use of space: this year's 9 cu.ft. model, for instance, is no bigger than last year's 6 cu.ft. box. The company has spent over $1 million in retooling its Moraine City plant to permit profitable production at the new low price levels.

Frigidaire and Copeland have made perhaps the most radical interior changes, Copeland having considerably reduced the size of its refrigerating unit, giving more food storage capacity and adding automatic defrosting. Copeland and Norge have made the most noticeable exterior changes. Both are "streamlined" in the best automotive mode. Copeland has massive hinges and door handle, smooth rounded lines. Norge has concealed hinges, small handle. Its lines were drawn by Lurelle Guild to specifications by the "lady of the house." Norge (Borg-Warner subsidiary) had its best year in 1932.

Schooling the Dealers

Leonard, 52 years in the refrigerator business, but now part of the Kelvinator set-up, has a new line of electrics with automatic defrosting and a new low price. This year, it is going into water coolers, too. A "flying squadron" of headquarters executives is schooling field men for the spring drive.

There is a great deal of emphasis in all companies, by the way, on "selling the salesman." The old pep talk has

The Business Week

SALES SLANT—The new Frigidaire Standard line features economy, operates on the current consumed by an ordinary light bulb, sells at the lowest price ever.

The Business Week

UNBREAKABLE BOTTLES—Paper milk bottles, developed by F. N. Burt of Buffalo with the Mellon Institute, which look like milk bottles, are handled with the same machinery, capped in the same way. They are seamless, moulded from pulp and tasteless wax. Containers for butter, cheese, lard, are also made.

been replaced by sales schools with movies and sound effects other than executive. G-E's troupes carry a carload of scenery to dramatize the new models and set the selling stage. Grigsby-Grunow is teaching its field men to handle all four of its products, refrigerators, radios, auto radios, and tubes.

Grigsby-Grunow's new line of Majestic refrigerators is due soon. Grunow, now out on his own, is also offering a box which threatened at one time to start an advertising war. The new Grunow uses a new refrigerant called "carrene" which is colorless, odorless, tasteless, and harmless. Some other makers use refrigerants which are none of these, and Mr. Grunow was going to make the most of a competitive situation. His new gas, however, will be featured less spectacularly.

The new Kelvinators have all-porcelain cooling coils, automatic defrosting; prices begin at $97. Servel has 2 new low-priced models. Electrolux, the gas-operated refrigerator, is introducing an air-cooled machine which avoids the expense of the water-cooled type. Sears, Roebuck has a new "Coldspot" at $69.50 in the retail stores. Westinghouse has a new line, unannounced as yet. Crosley features the "Shelvador" already described (*BW—Feb22'33*).

With the industry's base price reduced so radically, makers of standard refrigerators have less to fear from the "department store specials" and the "cheapies" which have invaded this market as they have every other. Chief cause of worry is the depressing effect on prices of "reverts" and overstocks of first line brands.

The refrigerator makers have not yet learned the lesson of the automobile makers' protection of new models. Old model boxes are still being dumped at prices which kill new model sales. New refrigerators of standard companies are being advertised as low as $39.50 for models originally selling well over $100. Frigidaire is a notable exception (but there's the automobile experience), having kept its old models well cleaned up.

To complete the automotive parallel, one large company is reported to be ready to buy up its second-hand models and break them up. With the life of a good refrigerator about 10 years, and the industry less than ten years old (as an industry), it is a little soon to be worrying about replacement sales. Trade-ins, however, are already a part of the picture.

Last year, according to the Electrical Refrigeration Bureau, sales of household refrigerators totaled 769,695 units (1,134,422 people bought new cars in this period). This is almost a 77% realization of the 1 million quota set for last year. December, 1932, sales (32,318) were better than October and November of the same year, but below December, 1931, which rang up 41,661. Undaunted by slumping January sales, the bureau has set this year's quota at 5% of the residential lighting customers, which is again about 1 million units.

Alkygas Stations

Illinois tries out the alcohol-gasoline mixture to see how the cars and the people like it.

THE embattled farmers of Peoria, who fired the shot of alcohol heard 'round the gasoline world (*BW—Mar15'33*), may take their own medicine for farm relief. By special permission of the authorities, they may buy their gasoline diluted with 10% alcohol at several stations in central Illinois established by the Illinois Agricultural Association.

The Illinois Farm Supply Co., the cooperative of the association, is in charge of the experiment. So far, the farmers who can buy gas, and the local business men, are proving the courage of their convictions by buying the mixture even at a 3¢ premium. Colored red, trade-marked "Hi-Ball," it is selling well in some sections.

The increased price is necessary to cover the increased cost of the blend, which indicates what might be expected if the mixture became law. After a suitable period, the association will questionnaire customers to measure public acceptance. Users are being warned to expect some trouble at first, some are changing their carburetor jets to fit the new fuel.

The alcohol is being supplied by the American Commercial Alcohol Corp., Pekin, Ill. It is anhydrous, hence needs no blending agent. It is made, not from corn, but from blackstrap molasses. Which is a joke on the good farmers paying extra for it. With each shipment, goes a federal inspector at taxpayers' expense, which is a joke on the rest of us.

There is no denaturant used. By adding 1 gallon of water to 10 gallons of gas, 2 gallons of bootleg gin are possible, needing only a little juniper and coriander.

Tires

Goodrich and U. S. take a courageous step, cut their lines to 2 grades, reducing manufacturing and selling costs, simplifying purchasing.

THE fight between those companies which make private brand tires and that company which so publicly does not has brought the tire industry to a

stage of price warfare which admits of no profits and little sales. A radically reduced national income which has cut deep into automobile use, and falling tire prices have postponed replacement sales to the point where almost a majority of cars on the road run on baldheaded tires.

In the midst of this chaos of cut prices, secret and open discounts, this confusion of qualities come announcements from two of the major rubber companies which mark a fundamental move toward common sense in the industry.

Effective immediately, the B. F. Goodrich Co. will market only 2 lines of tires carrying the Goodrich name, the Goodrich Silvertown and the Goodrich Cavalier. The United States Rubber Co. will build and sell through its dealers only 2 lines, U. S. Royal and U. S. Peerless, and one line of truck tires. All other lines and types of both makers will be eliminated.

With but 2 qualities, both dealer and manufacturer get the benefit of a big reduction in sizes and types. Inventories at factory and store are reduced correspondingly.

According to J. D. Tew, president of Goodrich, "Factory and distributing costs will be materially reduced, which eventually should benefit the employee, the security holder, the dealer, and the general public."

U. S. Rubber believes its move means "abandonment of an uneconomical, complicated method of doing business for a policy of concentration which lowers costs and is more conducive to profits."

Certainly, the tire buyers will welcome any effort to simplify the present complexity of claims and prices.

The Business Week

PAPER BOTTLE—A German version of the process which moulds containers of pulp squeezed, sometimes centrifugally, against screens. German makers of this cleaning powder found it reduced breakage, saved shipping weight and costs.

New Foods, New Fights

Novel products and multiplying competitors give the leaders in the food industry plenty to think about.

COTTON seed as feed is old, cotton seed as food is new. Newest of all is spagetti and macaroni made from cotton seed flour. Boldly capitalizing a feature which might otherwise have proved an obstacle, the products are marketed under the trade mark "Nutty Brown."

The macaroni and spaghetti are high in protein content, low in starch, hence are suitable for the diet of diabetics. The flavor is identical with that of ordinary spaghetti; no one could tell one from the other in a blindfold test.

Manufacturers are the Nutty Brown Mills, Houston, Tex., who at the beginning of this year introduced cotton seed flour, which bakers mix with ordinary flour in the proportion of 1 to 4.

Chocolate Specialties

Two new chocolate specialties come out of Brooklyn—Morgan's Whole Wheat Dessert made by H. S. Morgan, Inc., and Smoker's Chocolate, made by Rockwood & Co. The dessert is made by grinding the wheat berry, adding cocoa powder and sugar, then blending, toasting, and regrinding. The trick in Smoker's Chocolate is to use less than the usual amount of sugar, and develop a strong flavor.

California Prune and Apricot Growers Association, of San Jose, Calif., has developed Sunsweet prunes and apricots which need no soaking. They are sold in metal-foil-lined packages.

Canned baked apples, 4 in a can, each in a paper cup, are being introduced by Craig Packing Co., Waynesboro, Va.

Duff of Pittsburgh, originator of Duff's Ginger Bread Mix, Duff's Bran Muffin Mix, and Devil Food Mix, has added a Fruit Cake Mix and a Spice Cake Mix to the line—developed originally to provide an outlet for Duff's molasses.

Vegetables mashed and strained for baby feeding have been on the market for some years without attracting much competition. Now H. J. Heinz Co. and Beech-Nut are entering the field.

The Beech-Nut line is put up in glass, like the well-established Clapp line. Heinz uses tin cans. Heinz is packing carrots, spinach, peas, green beans, and mixed vegetables. They are cooked with dry steam in closed retorts in such manner that solubles are retained. Air is excluded throughout the process. No sugar, salt, or other seasoning is used. To the mixed vegetables, some barley and rice are added, as well as a yeast concentrate which increases vitamin content.

The battle of the soupmakers grows livelier. Heinz has added two more soups to the line, a chowder and a cream of mushroom, making 14 within a year. Phillips Packing Co. of Cambridge, Md., has added a chowder to its line. P. J. Ritter Co., Bridgeton, N. J., has made big additions to its plant. Crosse & Blackwell have increased retail outlets in the East from 200 in 1931 to 10,000 now. Hormel is an aggressive newcomer.

Campbell, long almost undisputed monarch of canned soups, is preparing to fight. As a necessary preliminary, it is cutting contract prices to tomato growers to get in line with prices paid by other canners. Prices offered this year are $8 to $14 a ton—$8 for second grade, $14 for firsts, nothing for culls. Last year's prices were $12 and $20.

Indiana packers are paying $4 to $9; Utah canners, $6.50; New York processors, $4 and $11.

New Milk Truce

Wisconsin calls a parley on price-cutting competition for the evaporated milk market.

A SUDDEN intensification of competition for the evaporated milk market, as economic conditions have put more emphasis on this economy food (*BW—Feb 15'33*), has threatened a new "milk war." In December prices jumped from $2.25 to $2.60 a case on the big advertised brands, with unadvertised grades put out by the same or by independent processors selling for $2.40. Sales in 1932 were 3% higher than in the previous year.

This month the advertised brands were suddenly slashed to $2.10, while second labels dropped to as low as $1.95. Insiders claim that efforts to push

the latter in a market where price is king brought the whole structure down.

Wisconsin, whence, with New York, most of the evaporated milk comes, has taken this war as seriously as it did the recently—and temporarily—settled general milk strike (*BW—Mar1'33*). Gov. A. G. Schmedeman has been busily intervening on behalf of the farmer.

The governor now announces a tentative agreement to call off price-cutting on evaporated as a result of a conference participated in by state officials, big distributors, and representatives of Borden, Carnation, Nestlé, Sheffield, Armour, Pet Milk, Indiana Condensed, and Libby, McNeill & Libby. These are the companies chiefly concerned. Several of them feature nationally advertised brands, go after cheaper volume with secondary brands. Cheaper volume is now highly important. All agreements are contingent on further conferences to clean up details, particularly with retailers who have been using cheap brands as loss leaders.

Rural Prospects

Advertising analysis shows concentration of appropriations on the thickly populated areas.

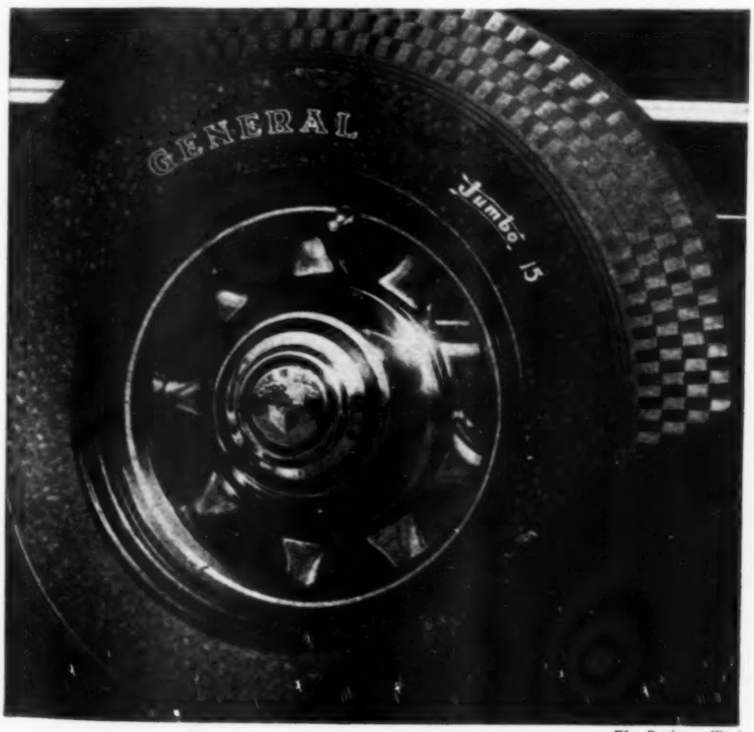
NATIONAL advertisers are inclined to concentrate their drives at points where the prospects are thickest and where experience has convinced them that sales are quickest. Those interested in the rural market frequently insist that this tendency has overreached its end and resulted in the allotment of a disproportionate share of the advertising expenditure to urban areas and towns with populations of from 2,500 up.

Latest to back this contention with statistics is the Crowell Publishing Co. in an analysis of rural market coverage released last week.

Its statisticians find that, to reach the 41.9% of the country's population living on farms and in towns under 2,500, advertisers in national magazines are spending $1.22 per family against $4.75 per family in towns of 2,500 to 10,000, and $4.70 per urban family. Respective percentages of total magazine expenditure are 15.77%, 13.22%, 71.01%. The analysis is based on a breakdown of magazine advertising totals and circulations.

A similar breakdown of radio "circulation" splits the radio advertising expenditure into 66¢ per rural family, $1.54 per small-town family, $1.82 per urban family. A study of the per family cost of newspaper advertising by 4 big national space users convinced the analysts that $1.88 was being allotted to the rural family (14.63% of the total) as compared with $5.67 per small-town family, $8.27 per urban family.

Combining the advertising totals in all 3 types of media to show that the advertiser invests $14.78 per urban family, $11.97 per small-town family and only $3.75 per rural family, Crowell asserts that this slighting of the "fade-out zone" represents a "lop-sided investment."



The Business Week

ENGINEERED BEAUTY—The new General tire was designed to give better service; when it was finished, engineers discovered it was good-looking as well. Prismatic blocks of rubber on the side of the tread snub the rebound.

Studebaker

Receivership of the oldest vehicle maker is no reflection on the company or the industry.

THE second automobile company receivership is not the "second automobile company receivership," for the simple reason that there has never been a first. Willys, technically the first, was not typical of an industry notably well-financed and managed; and Studebaker, technically the second, is a "friendly action" due to a combination of circumstances arising from a merger that failed and a banking crisis.

Last fall, Studebaker proposed a merger with White Motor (*BW—Sep 28'32*). Directors of both companies were willing; so were 95% of the White stockholders. But holders of 3% of White stock held out for a better price for their shares, threatened litigation.

Meanwhile, Studebaker had put out $14,900,000 in notes as part payment for the assets of White. With these obligations outstanding, and no White assets to offset them, Studebaker "found it impossible in the present banking situation to secure its customary financial accommodations."

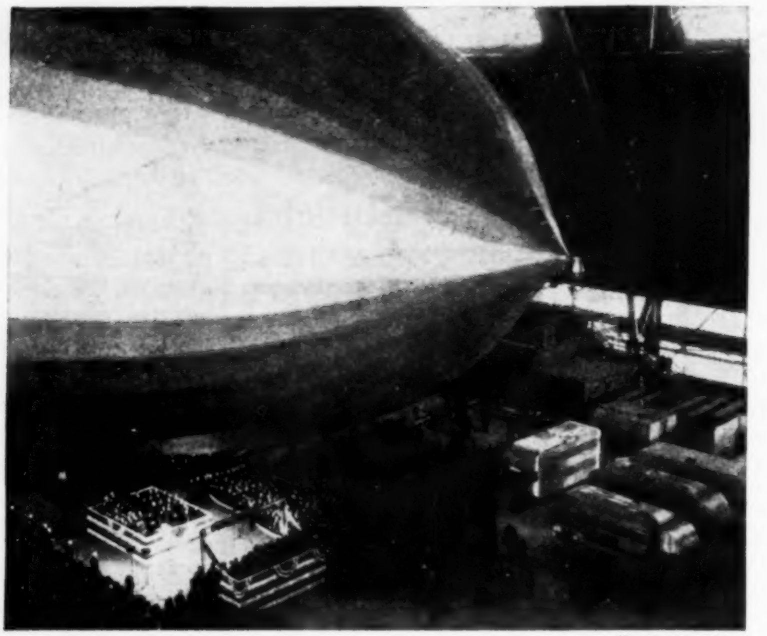
To "protect its interests until certain legal entanglements" could be adjusted, Studebaker directors consented to the friendly receivership, announced that net assets on Jan. 1, 1933, were $77,622,293 in excess of all liabilities, not counting good will, that cash alone totaled $9 millions. H. S. Vance and Paul G. Hoffman, vice-presidents of Studebaker Corp. and A. G. Bean, president of White Motor, were appointed receivers. White Motor Co. and Pierce-Arrow are not included in the receivership action although their assets are included in the above figures. Operations are expected to continue as usual in all divisions.

Correction

Axton-Fisher makes a 10¢ cigarette but the name isn't "Wings."

IN a news item about cigarette prices Axton-Fisher was incorrectly mentioned as the manufacturer of "Wings." The 10¢ brand made by Axton-Fisher is "20-Grand," introduced last summer.

Brown-Williamson makes "Wings," perhaps the biggest 10¢ seller.



The Business Week

GOODYEAR-ZEPPELIN—The "Macon" is christened in the huge dock at Akron. Under the nose, are the "rocket cars" being constructed for the Chicago Exposition.

Sport in the Nickel Age

Accommodating itself to the reduced circumstances of its clientele, the sports business nourishes a boom in coin-in-the-slot machines.

EXPANSION of leisure time and contraction of spending power have combined to create a boom for coin-in-the-slot amusement vendors. Men who lack dollars for baseball or hockey games still have an occasional nickel which, fed to the right sort of machine, will enable them to bat balls to tiny players or patronize devices testing skill and luck. Most popular is the ancient bagatelle, which has staged an astonishing revival. Coin-controlled boards are made in over 62 variations, new ones appear daily. (The industry calls them "pin games," from the pins which control the wanderings of the ball.)

Arcade Revived

The renascence has animated the long-dormant "penny arcade." One-cent peepers showing "Chorus Girls at Play" or "A Hot Spot in Paris" have been pushed into dark corners, giving place to flashy reincarnations of bagatelle. A nickel buys 10 shots. Players who achieve certain scores are awarded prizes—cameras, opera glasses, fountain pens, clocks, etc. Also the bagatelle is primarily responsible for an entirely new form of indoor amusement shop. An example is the "Sportlands" in and around New York city.

There is no admission charge to these places. Persons wandering in to get out of the rain or to satisfy their curiosity are intrigued by the groups about games, become victims of suggestion, ultimately part with nickels. Customers are always thickest about the bagatelle machines. One New York Sportland operates 15 varieties. There are also race-horse games, little brothers of roulette, consisting of discs which spin balls from the center into pockets on the rim. No gambling is allowed, though players bet among themselves without irritating the management. Prizes are given for high scores.

There are many table games. Among the old timers are ping-pong and billiards; newcomers are table hockey and table golf, which carries the short-lived midget course to its logical indoor conclusion. Highest prices are 15¢ per ½-hour at the tables. There are 52 of the Sportlands in New York and surrounding territory. They inhabit temporarily vacant stores in populous districts. One claims a weekly profit of $1,200.

Proof that these Sportlands are popular with the jobless is the record of one on Sixth Ave., New York, in the heart of the employment bureau district. Though patronized almost entirely by men looking for work, its net is said to be around $800 weekly.

The name Sportland is owned by the Chester-Pollard Amusement Co., New York, which licenses its use and sells equipment. A visitor found Ernest Chester, the firm's sales chief, in spirited conference with a customer. Mr. Chester was selling a new game, table badminton. His method was highly practical, consisted of playing the game with his prospect. His exertions had not colored his countenance or affected his wind.

Field Soon Crowded

Mr. Chester credits the entire present movement to a North Carolinian named Savage who worked out a method of combining the plunger (it displaced the cue in shooting the bagatelle ball and aided the game's revival), with a coin-control device. That was 3 years ago. He estimates that 250,000 of these machines are sold annually. All sorts of manufacturers have crowded into the field. They now number around 200. His firm has 62 distributors.

Drug stores, cigar stores, or any other retailer placing machines where the public can get at them receive a 50-50 cut in the proceeds. Rivalry among friends is the usual psychological bait which lures the nickel owner into playing. The Chester-Pollard company also claims to have been the originator of sport games machines, introduced some 2 years ago. They go through the motions of baseball, basketball, football, golf when animated by a 5¢ piece. These must digest a relatively large ration of coins because of greater cost. They sell for as much as $500, against about a $50 top for pin games. Six months is the profitable limit for sport games in one location. They have to be moved then to another store, where curiosity develops a new clientele.

Golf Club Trade-Ins

Nameless bargains and second-hand clubs spoil the market for those who sell the golfer. Kroyden replies with a trade-in scheme.

MAKERS of branded and advertised golf clubs have found their sales approaching the vanishing point, because (1) fewer people are playing golf; (2) more of those who do play are making the old clubs do; (3) sporting goods, hardware, and even drug and department stores are flooding the market, chiefly with nameless or unknown brands of clubs at sub-depression prices; (4) used and discarded clubs offered in second-hand stores and even by some professionals are stealing prospects.

The Kroydon Co. has come to the rescue of its registered agents and golf professionals, with a plan built to meet

Wonderful Value: INTERNATIONAL HARVESTER ANNOUNCES A NEW 2-TON TRUCK

AT $995 *for 145-in. wheelbase chassis, f. o. b. factory (tax extra)*

OFFICIAL registrations on all new trucks of 2-ton capacity and over, sold in 1932, show that better than ONE *in every* FIVE is an International. This is nearly 22 per cent, yet 49 other manufacturers competed for this great market. The next nearest builder sold but half as many. In the heavy-duty truck field International *leads the field.* (Figures from R. L. Polk & Co.)

There are three reasons for such preference for Internationals in a year of careful buying: (1) long-lived efficiency, (2) operating economy, and (3) matchless International Harvester after-sale service.

* * * *

AND NOW INTERNATIONAL HARVESTER OFFERS YOU THIS GREAT 2-TON TRUCK VALUE, AT $995. Branches and dealers will be proud to show you this brand-new model, the B-4, which brings you at a remarkably low price the same high standards of quality in materials, engineering, and construction that made the International sales record possible.

The new B-4 is International-made – thoroughly modern from stem to stern. Note the brief description below. Visit one of our display rooms, get acquainted with this great 2-ton International value. And remember that International Harvester also offers parallel values in the smaller sizes, with a new Half-Ton, 6-Cylinder truck at $360, and a popular $1\frac{1}{2}$-ton model at $615, prices for the chassis f. o. b. factory.

INTERNATIONAL HARVESTER COMPANY OF AMERICA (INCORPORATED)
606 S. Michigan Ave. Chicago, Ill.

Model B-4 Features

Frame: 8-inch channel type; 7 sturdy cross members.

Engine: 6-cylinder. Bore: $3\frac{7}{16}$-in.; stroke, 4-in.; develops 63 h. p. Removable cylinders. Counterbalanced crankshaft. Exhaust-valve seat inserts. Full-pressure lubrication. Thermostatically-controlled cooling. Down-draft carburetion. Air cleaner.

Transmission: Four speeds forward, one reverse.

Universal Joints: Roller-bearing type.

Steering Gear: Cam-and-lever type.

Rear Axle: Full-floating spiral-bevel-gear type. Straddle-mounted pinion.

Springs: Semi-elliptic front and rear, with semi-elliptic auxiliary rear springs.

Brakes: Service — 4-wheel, mechanical, internal-expanding, 2-shoe type. Hand—band type on propeller shaft.

Wheels and Tires: Cast, integral-hub, spoke-end mounted wheels. 6.50-20 balloon tires, duals on rear.

This illustration shows the new B-4 with stake body on long wheelbase chassis. Three wheelbase lengths: 145-in., 170-in., 185-in. Equipment for all types of load. Other models to $7\frac{1}{2}$-ton. Sold through 184 Company-owned branches and many dealers.

INTERNATIONAL

INTERNATIONAL TRUCKS

their present difficulties and bring back some of the lost business. Copying a practice familiar to other lines, Kroydon offers a trade-in proposition on its $75 matched and registered sets. Allowance for the old set depends on age, condition, model and, particularly, brand. Recent model clubs by a well-known competitor will bring a juicy credit; a conglomerate assortment of mongrel clubs will draw but a small allowance.

The best of the trade-ins are reconditioned and sold to professionals at municipal or public golf courses where economy is the watchword but the itch for a new set of clubs is just as strong as on a millionaire's course. Most of the old clubs are scrapped and thus forever removed from interference with the demand for the new product.

Prices

Commodity prices continue to reflect approval for Administration policies. Cotton and wheat have weakened because of the Farm Emergency Act. Moderate advance buying has begun.

THE applause with which the stock market greeted the new Administration when it reopened for business after the bank holiday found an echo in the commodity markets. May wheat had closed on Mar. 3, the last business day preceding the bank holiday, at $48\frac{7}{8}$¢. It opened on Wednesday, Mar. 15, with a jump to $53\frac{7}{8}$¢, and the next day advanced still farther to $56\frac{1}{2}$¢. The sharp advance of 8¢ was subsequently neutralized by declines which brought prices back to 51¢.

When trading was resumed on the Cotton Exchange on Thursday, Mar. 16, the market started more than $4 a bale above the closing price of 13 days previous. Later in the day this advance was extended to about $5, but during the next few days there was a decline of about $2, leaving a net advance of $2 a bale.

Rush of Buying

A rush of buying greeted the resumption of trading in other commodities. Raw sugar futures opened with one of the heaviest trading sessions in many months and scored wide gains on the first day. During the next few days there was some reaction but the market finally continued strong. The same may be said of silver and cocoa. Rubber futures advanced sharply at the opening and the gains have not been wiped out. Raw hides went perceptibly higher. All other grains advanced in sympathy with wheat. The advance in pork prices which was chronicled a week ago has been maintained.

On the whole, the index of commodity prices now stands substantially higher than before the bank holiday, though there have been some recessions from the peak. The net advances are impressive. Copper has advanced 15%, corn 16%, cotton 9%, flour 12.5%, hides 33.3%, hogs 11.1%, lead 12%, rubber 4.5%, silver 5.2%, sugar 15%, wheat 12.5%, and zinc 17%.

The first rush of buying was discounted as the result of an oversold market, explained as a rush of shorts for cover, possibly a rush from the dollar into commodities because of a fear of inflation. These interpretations are untenable in the light of succeeding strength in all commodities. Probably the most important factor which has influenced higher prices is the confidence of buyers in the future.

No little credit accrues to the new Administration. The efficiency and firmness with which the bank problem was tackled has been invaluable in recreating and buttressing confidence in commodities and business. The Exchanges also responded favorably to the economy bill and the beer bill. Weakness developed when the new Emergency Farm Act was announced. This bill has a great many supporters and also a great many enemies, but, on the whole, prices declined because of mixed feelings as to the wisdom of the act and as to what it will do to the commodity situation.

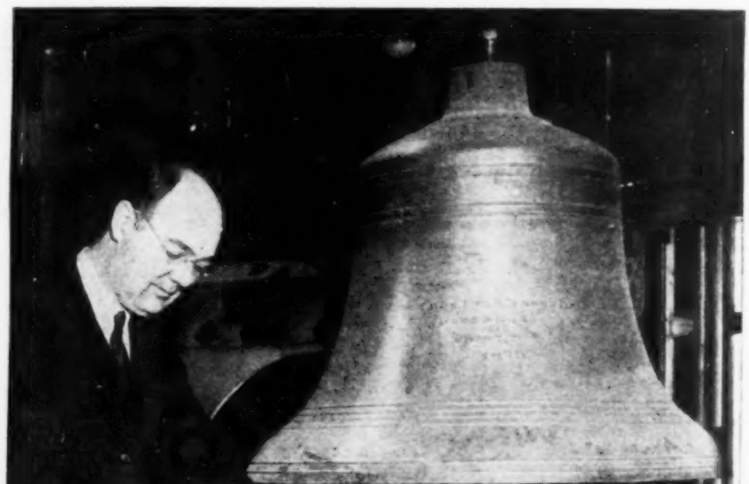
This is particularly true of cotton. In cotton circles, it was feared that the new bill might reduce consumption at home and abroad—at home because it would encourage substitution if cotton prices are raised, abroad because it was felt that the new act might hold the umbrella over newly developed cotton regions. There was the same diffidence in the grain market. However, these price reactions must not be taken as final judgment of the commodity markets on the agricultural bill. Nor is it certain that the drop in prices is necessarily associated with that bill.

Four Reasons for Hoping

Four developments, since the new Administration has taken hold, are looked upon as definitely constructive:

(1) Prospects that a satisfactory solution of international debt problems will come into effect before long and, by strengthening foreign exchanges, will provide a potent stimulus to prices of commodities in international trade.

(2) Indications that the present Administration will make strong efforts to resuscitate foreign trade, through a more



Keystone

RINGING IN THE SHEAVES—The world's largest wheat pit at the Chicago Board of Trade opens up after the suspension. Fred A. Clutton, secretary, rings the bell to resume trading. The bell, once in the City Hall, has tolled out good news and bad on the Board of Trade since 1873, many panics ago.

satisfactory adjustment of present trade restrictions.

(3) The intensive effort being made to reduce government expenditures, with the prospect that increased revenue from the manufacture of beer will strengthen government credit.

(4) The drastic scaling down of capital values ultimately should result in the expansion of industrial purchasing power.

Because of these favorable long-term trends, there is every indication that prices will remain reasonably firm. In the large industrial plants there has been a quiet accumulation of goods for some weeks ahead, replacing the hand-to-mouth policy in vogue for some time. This is as far as prudent manufacturers are willing to go in purchasing material. Favorable though the outlook appears to be, there is no disposition to recommend that purchases be contracted for long periods ahead. There are too many obstacles yet to be overcome.

Survey by Brookings

To Mr. Brookings' researchers, "The American Transportation Problem" was no miracle.

EXECUTIVES of railroads and security organizations are thumbing with awe a monumental pamphlet called "The American Transportation Problem," published this week. It was prepared for the National Transportation Committee (*BW—Feb22'33*). The report contains 900 pages of closely-knit analysis. Students of railroading marvel at the speed with which the report was compiled and published. The job was done in 4 months. No miracle, this. It was the result of intelligent foresight on the part of the Brookings Institution, Washington, which prepared the survey for the committee.

Years ago Harold G. Moulton, president of Brookings Institution, and his associates saw the growing importance of the railroad problem. They started gathering basic data. When the expected happened and they were asked by the committee for a report, they were able to break most of the research records.

This technique is not new with the Institution. Its large stock of figures on important subjects has caused an increasing number of government and private agencies to run in its direction when hurry calls come in. Right now Brookings researchers are examining all phases of the traffic tangle. Agricultural economics and labor are also objects of their attention. Complete and available for spot orders are surveys on tariffs, reparations, interallied debts, American loans to Germany, those commitments of reluctant France, the World

War's brood of financial problems, the St. Lawrence waterway.

Through research and training the Institution aims to "aid constructively in the development of sound national policies"; to offer "super-graduate training" to students of social science. Like many another institution tucked away under the quiet elms of Washington, the Brookings organization is a monument to the memory and purse of a public-spirited millionaire. Its founder was Robert Somers Brookings, who died last November at the age of 82.

Mr. Brookings was a St. Louisan. He made a great fortune at an early age through merchandising and manufacturing. In his *Who's Who* autobiography he states that he retired in 1896 and devoted himself thereafter to philanthropy. He displayed little interest in national education until he joined the board of Washington University, St. Louis. Through his efforts the solid burghers donated so plentifully to the school treasury that it became a leader in the Middle West.

In 1916 a desire to formulate practical technique for public administration led Mr. Brookings to organize an institute for research. Experts were put to work in Washington. Their service monograph dis-articulated the federal service, showed where every bureau and department fitted into the intricate jigsaw of the national government. Next came a study to prove the need for a budget system. Work of the Institution under its first director, Dr. W. F. Willoughby, was an important factor in creating Congressional action. The Institution prepared the way for the personnel classification system, adopted by the government in 1924.

Rail Conservator

The President is discussing one-man control of the railroads during a reorganization and housecleaning period. I.C.C.'s fate in balance.

PRESIDENT ROOSEVELT will deal just as vigorously with the railroads as with the banks. Proposals to which he is now giving serious consideration would "federalize" the railroads temporarily, although ownership and actual operation would remain in private hands. One man with powers that, some expect, would be as broad as those wielded by William G. McAdoo and Walker D. Hines during war time, would be charged with the responsibility of putting the railroads back on their feet. And Hines again may get the job.

The function of the transportation chief would be that of a "conservator" during a period in which the railroads, if they did not act voluntarily, would be coerced, even compelled to reorganize, consolidate, trim expenses, share rather than compete for traffic. In this housecleaning period the government would stand back of them with cash for the protection of public investments and those of security holders.

Back to Salt Lake City

The President is out to get results. Apparently he regards the use of the big stick as justified because, as he observed in his Salt Lake City speech last September, "the actual railway operators are not the owners of the railroads. . . . Their position now depends, as it ought to depend, on their being able to do their job well. We are entitled to demand, and I think they would be the first to concede, that they give a management which is sound, economical, and skilful."

Sensing this attitude, railroad executives, usually deliberate, are scrambling into conferences in an attempt to reach agreement on a program that will meet the President halfway, or perhaps, forestall him. They are apprehensive because they have not been taken into his confidence. Railroad bondholders, on the other hand, have greeted the President's promise of action with enthusiasm and are pressing his advisers and railroad managements for speed.

Still in the dark, counsel for the Association of Railway Executives is framing the customary bills embodying this organization's proposals for facilitating railroad consolidations, regulating buses and trucks, and easing the yoke of regulation on the roads. Representative Rayburn has put forward the bills his committee O.K.'d last session on rate-making, railroad consolidation, and control of holding companies. A tentative bus bill also has been resurrected. The new law on railroad financial reorganization is ready to hand. Reports that indigent railroads have been slow to take advantage of this new lease on life may be explained by the fact that time is required to devise reorganization plans. Some of them may still have the idea in the back of their heads, however, that reorganization may be accomplished with less slaughter when times are on the mend than at present.

All the measures referred to are part and parcel of the policy that President Roosevelt advocates, but there is a new order in Washington and a premium has been put on action. Committee chairmen are not left to initiate action. Roosevelt has taken over that job. Congressional committeemen have been requested to sit in with Swager Shirley, Daniel C. Roper, Walker D. Hines, Joseph B. Eastman, A. A. Berle in mulling over proposals such as that of Frederick H. Prince for the coordination of railroad facilities. From this pooling of ideas the President soon will set about framing a bill to establish a vigorous and coherent public policy on transportation.

Long-Term Objectives

By straightening out their finances, adjusting plant to traffic and coordinating carrier services, this policy is designed to cope with the critical condition of many railroads at present, eventually to bring greater certainty of fair return to security owners, greater security to labor and lower rates to the public.

To carry out this policy, the President also will take a hand at reorganizing all government agencies concerned with transportation. Grouping of scattered units or coordination of their functions under one head is certain. Whether this new combination will be placed in the Commerce Department has not yet been decided. The fate of the Interstate Commerce Commission still hangs in the balance. Whether and to what extent the President can dictate the future role of this quasi-judicial body is a knotty problem for his advisers. By reason of the fact that the commission's powers are those vested in but delegated by Congress, further legislation would seem to be essential if the commission were to be subordinated or absorbed in an executive department. But it was learned authoritatively this week that the President will not ask Congress for any greater or more definite powers than were bestowed by the Treasury-Post Office bill.

Details Still to Come

Out of this welter of vexing questions and conditions the President will bring forward his program in the near but not immediate future. To date he has given very little personal consideration to anything but its objectives.

While the railroads are trying to find out what's up in Washington they have been forced on the defensive by the shippers' demand for a slash in freight rates. Their refusal to continue pooling surcharge revenues for distribution as loans to solvent but hard-pressed roads has not earned them any good will in the I.C.C. In authorizing continuance of the surcharges for a 6-month period the commission affirmed its original opinion that it could not require the railroads to pool such receipts but would expect them to do so.

Their contrary action may serve to alienate votes that may be sorely needed to reject a rate cut.

Meals en Route

Railroads are taking off the table-cloths to quicken turnover and profit possibilities.

NOT long ago, some Westport, Conn., commuters grew weary of sacrificing breakfast to punctuality, persuaded the New Haven Railroad to let them have their cake and catch their train (*BW—Nov23'32*). They refurbished an old day coach, installed a counter and small tables, began serving breakfast on the in-bound, supper on the out-bound train.

Response was immediate, and satisfactory; even early birds who had already breakfasted were customers for coffee and doughnuts, and—regardless of the effect on Connecticut dinners—the "Supper Special" was patronized.

New Haven officials, watching the cash customers come and go in this pine-panelled coffee house on wheels, were quick to get the idea. The "Bankers' Special," which runs up and down the Connecticut valley between Springfield and New York, was given a new diner.

The New Gaiety

In it, gay furnishings replace the somber dignity of the traditional diner; and *cafe-au-lait* waitresses in the Alice Foote MacDougall chintz and kerchief style replace the traditional Georges.

On this train are many daily commuters, many more valley-town business men who make frequent trips to the big city, and women coming into town for a day's shopping. A lot of them who wouldn't go into a regular diner on such a comparatively short run have been lured into the restaurant car by the informality and the low prices.

The Pennsylvania, too, has decided that half a dollar is better than none; diners on the New York–Philadelphia hourly trains are being remodelled to gain the faster turnover which informality brings, broaden the meal merchandising base.

Tray Service

One end of the cars will have a counter seating 10 persons for "tray service." Here will be served combination meals at popular prices: 40¢ to 75¢. At the other end of the car, curtained off so that the gentry will not be made self-conscious by the counter customers, the regular table-cloth and table-d'hote service will prevail.

The first car is already in operation, with gratifying results; 9 others are being remodelled for this combination service as quickly as possible.

Both England and Canada saw the possibilities of counter cars some time ago. One of the Canadian roads runs a lunch car which resembles the "dog-wagons" made to look like railroad cars which are so popular in the States. An English road carries a buffet car (not to

be confused with the American Pullman variety on the huckleberry runs) which serves sandwiches and beer without benefit of stools.

Maybe Americans, running for the "bar car" on the 5:15, will be able in the future to "catch a couple of quick ones" en route without delaying dinner by having to wait for the next round and the 8:40.

George Sees a Yellow Peril

Substitution of Filipinos and Japanese for Negroes as Pullman porters brings protests, even on the floor of the Senate.

THE pressure of changing times has shaken many a grand American tradition. Threatened now is the amiable George—that gleaming tower of ebony and bright ivory, the Pullman porter. Filipinos and Japanese are being employed by the Pullman Co. So far the "yellow perils" have displaced colored help principally on club cars. The porters claim that the campaign endangers all the car services. They have appealed to public sentiment and of late have acquired a champion in Congress.

Recently Senator Dill, Washington Democrat, rose from his seat in the nation's highest assembly and in behalf of the negro porters began a battle against foreign competition. Said the senator:

"For long years Negroes have been most satisfactory porters. This work they can properly do. We should by law protect them. I am told that the railroads are using 2 Filipinos or Japanese on Pullmans to do the work of one porter. It takes 2 because they are not physically as strong." "There ought to be a law," the Senator opined, and he introduced one.

Representatives of the porters declare the argument to be over wages and the right of the men to organize their own union, as opposed to the company union. The company union requires that its officers be employed porters—that is, men under the control of the Pullman Co. There is a fight before the federal courts of Illinois on this point. The independent organization is the Brotherhood of Sleeping Car Porters. It started in 1925, now is nation-wide. Officials of the union claim a membership of 7,000 out of the 9,000 porters now employed. In a bulletin, the Methodist Federation for Social Service has taken the part of the independent organization, pointing out that this union is endorsed by the American Federation of Labor, by the Railroad Brotherhoods, and by associations for the improvement of the Negro race.

The porters' brotherhood asserts that about 500 Japanese and Filipinos have been put in jobs formerly held by Negroes. Many of these are on Pacific Coast runs. Here colored maids on swank trains have been replaced in some instances by Chinese women.

One factor that has retarded the placement of Orientals on regular sleeping cars is the biological handicap under which they labor. Most Japanese and Filipinos are of slight physique and low stature. Height is important in preparing upper berths. A good Negro porter thinks nothing of making up the 27 berths of a standard car in 55 minutes. It is charged that the substitute races can hardly accomplish the work in twice the time.

Depression Troubles

Present conditions have sharpened the points in dispute. Brotherhood officials charge that on many runs porters are being forced to work overtime, cutting down the number of jobs available; that in the instance of a run between New York and Montreal, 18 men have been displaced in this manner. It is admitted that the Pullman Co., like others, has its present difficulties but it is pointed out that available jobs might be spread to include as many workers as possible.

It is an old charge that the Pullman Co. expects the porters to obtain a large portion of their earnings in tips. During good times the tips of a porter working regularly on a good run average $58.15 per month. Minimum pay is $72.50 a month; 11,000 miles must be covered before overtime becomes operative. Men on irregular schedules make less, of course. Right now there are numbers on temporary assignments. If times were good, the porter's monthly wage from wages and tips ought to be around $130.50. But here are items to be deducted.

Job Costs

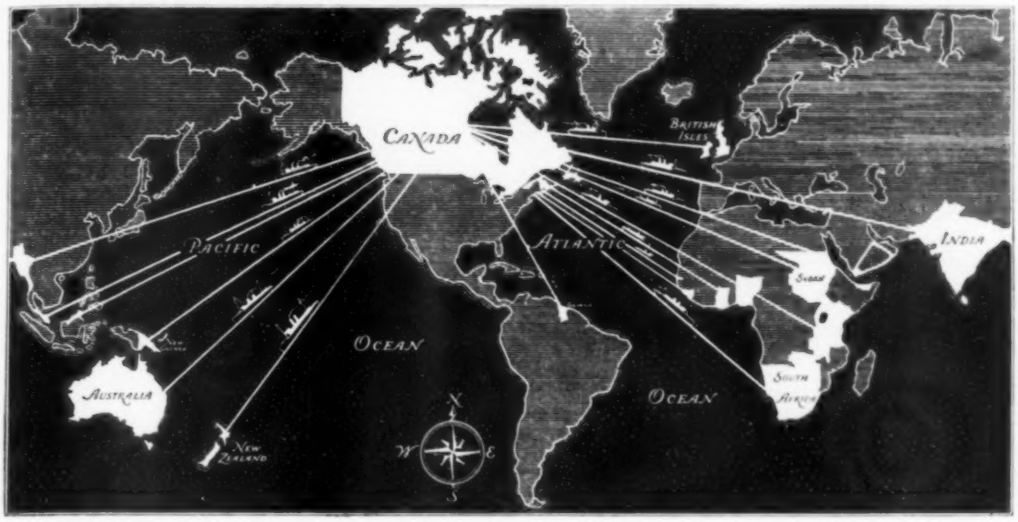
Says A. L. Totten, secretary and treasurer of the Porters' Brotherhood: "Out of his earnings the porter has accupational items he must pay. These amount to about $33 monthly. The porter must buy 2 suits annually. He must pay for all meals en route, and for sleeping quarters at the end of his run. Also he has to buy the polish and shoe shining equipment which he uses on travelers' shoes. The company takes out of each man's wages a monthly amount for accident, death, and health insurance. The benefits do not apply while the porter is on his car, nor do they continue if he loses his job."

The Negro porters and their allies claim that Japanese and other Orientals will work under conditions which caused protests and the formation of the brotherhood.

International News

ECONOMY SPECIAL—The New Haven's new diner on the "Bankers' Express" from Springfield to New York features bright decorations, waitresses, low prices.

World Markets *via Canada*



OPPORTUNITY to regain export markets awaits American manufacturers who have the vision to establish plants in Canada.

The industrial territory of the Province of Quebec offers such a field of operation. With the great St. Lawrence River furnishing a channel to the ocean lanes of commerce, the location has unparalleled geographical advantages. It is the natural doorway to trade throughout the rest of the British Empire.

Equally important are the mighty resources of water power controlled by The Shawinigan Water and Power Company, assuring a continuous flow of electrical energy at favorable rates. Manufacturers locating in this area gain the advantages of the British Empire trade agreements which emerged from the Imperial Economic Conference. Here is the most favored export field in the North American Continent—an outlet to the Empire market representing roughly 28 percent of the world's trade.

•

Service to industry has been the keynote of the success of The Shawinigan Water and Power Company. The company will gladly provide complete information to manufacturers considering the establishment of plants in Canada. There is no charge or obligation. This information will include labor schedules, available sites, transportation accommodations, power rates and the answers to all the questions which arise in connection with such a project.

Send for this folder

"Canada and a new Opportunity for American Industry," including a statement by the Hon. H. H. Stevens, the Minister of Trade and Commerce of the Dominion of Canada, on Canadian resources and industrial opportunities, will be mailed with our compliments upon request to Dept. A.

THE

• SHAWINIGAN •

WATER AND POWER

MONTREAL — COMPANY — CANADA

one of the greatest sources of power in the world

Wide Reading

THE BANKERS' INDUSTRIAL DEVELOPMENT COMPANY. Arthur F. Lucas. *Harvard Business Review*, April. When private banks in England failed to meet the needs of basic industries for new capital, the Bank of England set up a special bank to handle only this problem. It is a little like the R.F.C., but it is also importantly different.

WHEN WILL RADIOS BE STYLED FOR SALES APPEAL? Walter Dorwin Teague. *Electronics*, March. Radio sets are still in the "Model T" stage as far as design is concerned. The industry is going to hold a "style clinic" late in March. Here's an idea of what they will consider.

ECONOMICS MAKES THE FRONT PAGE. Harlow S. Person and Beulah Amidon. *Survey Graphic*, March. Technocracy is dead—but it did one good thing: it made the man on the street economy-minded. Here are the fundamental factors which were behind technocracy but which got lost in the ballyhoo.

TOWARDS DESIGN. Norman Bel Geddes. *Advertising Arts*, March. A word to the aggressive manufacturer who is considering the redesigning of his products for the "new era."

GERMAN CLASS LINES CRUMBLE. Heinrich Simon. *Current History*, March. What has happened socially and economically in Germany in the last 18 years. What's ahead for the Junkers, professional classes, bankers; why the German unemployed are well dressed; why they are unprepared for depression. Excellent article by the editor-owner of the *Frankfurter Zeitung*, probably the most respected of Continental economic dailies.

REPORTS—SURVEYS

PURCHASING POLICIES AND PRACTICES OF CHAIN DRUG COMPANIES. Ernest F. Witte. University of Chicago, 93 pp., $1. Results of a 3-year study of central buying. Purchasing policy and procedure; sources of supply; buying advantages; purchasing organization.

OPERATION OF UNEMPLOYMENT BENEFIT PLANS IN THE UNITED STATES DURING 1931 AND 1932. U. S. Bureau of Labor Statistics. Government Printing Office, Washington, 93 pp. Unemployment benefit plans during the depression years. Though payments have been reduced, and have been inadequate to meet need of beneficiaries, considerable effort has been made to maintain the system. Foreign schemes and how they fared through the depression.

SCRIP AND BARTER: THEIR USE AND THEIR SERVICE. Hector Lazo. Bureau of Foreign and Domestic Commerce, Washington, 32 pp. Places where scrip and barter have been tried; how the plan was organized; how it functioned.

BOOKS

CAN AMERICA STAY AT HOME? Frank H. Simonds. Harper, 377 pp., $3. "Today, no thoughtful and informed observer of European conditions can fail to perceive that the shadow of a next war is already heavy upon the European continent." Will America make any useful contribution to prevent this? Excellent background of current conflicts abroad.

Reichsbank Head

Dr. Schacht doesn't take Chancellor Hitler too seriously, and gets his old job back.

In 1923, when long lines of French and Belgian troops were marching into the Ruhr, one of the most doughty Germans who sullenly watched their arrival was the Burgomaster of Essen, vast German steel center. When the French commanding officer arrived at the City Hall and sent orders for the Burgomaster to meet him, he received the curt reply: "I receive visitors only in my office and by appointment." The French general and Burgomaster Hans Luther conferred later in Luther's office.

Since that time, Dr. Luther has been Finance Minister and Chancellor of Germany, and most recently, president of the Reichsbank.

Technicalities Waived

Last week he received no summons from Chancellor Hitler to carry his resignation to the government. Hitler technically has no authority to remove the head of the Reichsbank until the 4-year term of office expires. But Dr. Luther and Herr Hitler do not see alike, and last week Dr. Luther handed his resignation to President von Hindenburg, received (the same day) appointment as German ambassador to Washington. There were no accusations against Dr. Luther other than the vague report that Luther was not wanted by Herr Hitler because of his "international capitalistic course."

None questioned Luther's ability, his energy, or his integrity. Bankers mused that he would be useful in Washington. Germany needs some refinancing of her private commercial debts, of which the bulk are owed to United States bankers. Lower interest rates have been discussed at home, and among the creditors. None understands the situation better than Dr. Luther. He speaks English fluently. He knows politics. His judgment is respected at home and in the United States.

No Surprise

There was no surprise when Dr. Hjalmar Schacht was named his successor. Dr. Schacht was also his predecessor. It was barely 2 years ago that Germany agreed to the final terms of the Young Plan, and Dr. Schacht, opposed to its demands, resigned as head of the Reichsbank. Immediately the announcement was made, German shares sold down from 6 to 8 points. Industrialists declared his "great knowledge and energy" would be a distinct loss to Germany. France said, "It is just as well. His belief that reparations must end is disturbing."

Dr. Schacht summed up his views in "The End of Reparations" which was published shortly after his return to

private life. It prepared the international banking fraternity for the Lausanne agreement, which really put an end to Germany's political debts.

Dr. Schacht has openly supported the erratic Herr Hitler for 2 years without losing the confidence of even the conservative bankers. They recall that it was a Luther-Schacht combination which stabilized German currency following the disastrous inflation nearly 10 years ago. Schacht has stood as firmly as Luther against currency experiments. Though radically opposed to reparations payments, he has repeatedly claimed that Germany would meet all foreign commercial obligations. Only recently he declared that "productivity, economy, and lower interest rates are slogans of the battle in Germany today."

Those who fear a Hitler-Schacht inflation base their belief on the promises of Herr Hitler to create jobs for everyone. How else, they argue, can Germany finance this job-creation than by inflation? They forget that Schacht was the man, as much as any other, who, through determined policy, put an end to inflation, brought stability to the mark.

As for Hitler, Dr. Schacht answered that question himself when he was in this country more than a year ago: "You seem to take Hitler seriously. I, personally, do not take him too seriously. I ask you to recall what Mussolini used to say and how he later adapted himself to conditions. I don't think Mussolini himself took what he used to say too seriously."

Reich Ready for Recovery

Unless Hitler tries some radical experiments with domestic affairs or foreign policy, German business is all set to go ahead.

BERLIN—The business world outside of Germany—except those executives in close contact with Germans—probably has a gloomier mental picture of German business conditions than the present situation warrants.

There are 2 reasons for this. During the long period before the Lausanne conference there was a boom in economic and business pessimism in which the government, industrialists, and the press all participated to the best of their abilities. Following the success of the Lausanne conference in virtually bringing to an end all payments on reparations, it was frankly admitted that this biassed pessimism had to stop or it would badly damage home morale.

Clever Broadcasting

Scarcely had this campaign come to an end, however, than the Nazi propaganda took its place. "Marxism" replaced reparations when Hitler did the talking. Significantly, in his first radio talk after assuming power, Hitler did not mention the world depression and its repercussion on Germany. Only the "Marxist policies" of the previous cabinets were blamed for Germany's economic ailments.

Probably no depression has been more severe since the Napoleonic wars. Nevertheless, there are those students in Berlin, as well as abroad, who believe that signs of mending are going to multiply in coming months. And these same students contend that Germany is probably in a better position to take part in business recovery than almost any other country.

Americans who have more than $4 billions invested in Germany, and who look on Germany as a vast market will be interested in the reasoning behind this judgment. It can be summed up under 6 main heads:

(1) The virtual wiping out of reparations by Lausanne has freed Germany from her *public* foreign indebtedness (the few state and communal loans issued abroad do not seriously count). During the crisis of 1931 and the following year, Germany withstood an unprecedented drain of capital and repaid 7 billion marks of short-term credits. It is true that her gold and foreign exchange reserves were temporarily depleted. The fact remains that she showed remarkable resistance.

In spite of the crisis the year before, the Reich was able to repurchase in 1932 substantial amounts of her bonds issued abroad at exceptionally low prices. The new "standstill agreement" allows a sufficient breathing space to repay the balance of the short-term debts, in so far as these are not left or reinvested by creditors in Germany. Berlin's balance of foreign payments is in good shape. Besides, there is an important reserve of foreign currency represented by large amounts of "flight capital" which was repatriated on a small scale in 1932 and which continues to drift homeward. When confidence in the economic stability of Germany is fully restored (or if the instability in other countries becomes too dangerous!) the return en masse of this flight capital may change overnight the entire foreign exchange situation in Germany.

(2) Germany has lately so increased her crops (both of bread and fodder cereals) that the country is about to become self-sufficient in this respect. This relieves the trade balance and the balance-of-payments, and offers a greater degree of economic independence.

Debts Written Down

(3) Inasmuch as readjustment of debts in line with the lower price level is a painful process which all countries have to go through, Germany is far ahead of the crowd, especially the United States. Theoretically, the method adopted by Germany—all round compulsory reduction of interest rates on old debts—is open to criticism. It must be stated, however, that this measure did not have the injurious effects which many people expected it would. In particular it did not destroy the confidence of investors in bonds as evidenced by the remarkable advance of bond prices since Bruening's and Papen's emergency decrees became effective.

(4) For a country with a large industrial export trade, it is always necessary to cut costs as far as possible. Especially was this true for German manufacturers who have been competing for nearly 2 years with products from countries off the gold standard. This problem has been solved by cutting wages from 25% to 30%, making sweeping capital cuts, and in other ways writing down company overhead. With this process completed, German industry (particularly steel) is now able to turn a profit at even less than 50% of capacity.

(5) Not less radical was the cure to which Germany's public finances have been submitted. For the last 4 years, public expenditure has been reduced roughly by 40%. This year's federal budget will show a deficit of less than $100 millions. Communal finance, it is true, is in bad shape but this is largely because it was forced to assume rather suddenly the main burden of unemployment relief. Even a slight reduction of unemployment will suffice to restore the balance of communal budgets.

Relief Well Organized

(6) Unemployment is still high but a well organized and admirably functioning system of unemployment relief is responsible for the fact that there is probably less misery and actual starvation in German cities than in some districts in the United States.

Germany is fully equipped and better prepared than most countries to take advantage of business recovery, whenever it begins. The standstill creditors are bearing this in mind as they consider reinvesting their blocked funds in Germany. The stumbling block is Hitler. If he stabilizes his régime without too much interference with business and without stirring up serious international problems, German business has a good chance to move ahead. Almost everything rests with Hitler.

Business Abroad

"War" crisis in Europe possibly averted by Mussolini plan. France likely to agree only after concessions. Hitler becomes Reich dictator in midst of military show. Britain consolidates floating debt in 2½% issue. Japan votes complete control of foreign exchange.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—The two most important developments in Europe during the week just passed were more political than commercial. But their influence on the commercial life of Europe will, in the long run, be very significant.

Ramsay MacDonald's visit to Rome was fruitful. Out of it has come the so-called "Mussolini Plan" for a 4-power accord to bind the security of Europe. Italy, Great Britain, Germany, and France are the 4 powers involved. Italy and Britain presumably agree to the plan. Germany is likely to agree since the Reich is once more returned to the status of a first rate power at the European council table. France has not yet agreed. It is generally expected that the French will bargain long before they assent to the pact, though they are not likely to hold out so long as to be left alone and completely isolated. Paris couldn't afford to let that happen.

The significance of the plan is far-reaching. The most important implications are: the return of Germany to the first rank of powers; the breakup of France's long-cherished but badly conceived scheme of a hegemony on the Continent dominated by French military strength; the threat to Poland that the Corridor will be returned to Germany (since even France is aware that this must come eventually).

Second in importance only to the Mussolini plan was the rise of Hitler to the place of dictator in Germany. For the first time since Versailles, imperial Germany had its day when the Reichstag was convoked at Potsdam amid the pomp and discipline of the army, the police, and the Nazis. Hitler has embarked on a 4-year dictatorship. Business took the news buoyantly, rushed to buy bonds and stocks, cheered the prospect of the return of the old dignity of the Reich.

Other events of the week worthy of mention: political tenseness in Austria with the prospect that the Nazis will come into power there; the decision of the Polish parliament to give the government the right to rule by decree until Nov. 1 because the "tenseness of the international situation is such that at any moment swift and unhampered action by the government may be necessary"; strength of the dollar on all foreign exchanges.

Wide World

PEACEMAKER—When Europe seemed about ready to blow up recently, Ramsay MacDonald (with stick) hurried to Paris, then to Rome, trying to "fix things." When he left Italy, he carried the "Mussolini plan" for a 4-power accord. Here he is in London, with Sir John Simon—also a peacemaker—walking to the House of Commons for the opening of Parliament.

France

Mussolini peace plan puts French postwar policy on the block. Parliament, on second thought, is less eager to pay Washington overdue war debt instalment.

PARIS (*Wireless*)—The four-cornered Mussolini "peace club" plan has received the official cold shoulder of the French. Unlike other international plans recently evolved which called forth at least "accord in principle" or some illusion of international cordiality, the present Italian plan is suspected of being a concerted attempt against the French status quo principles under the disguise of a European dove of peace.

France's main objection lies not in the suggestion that now is the time for an accord on the promised German arms parity, but the implication that it is essentially necessary for France to reduce armaments to the present German level at the most critical and unstable moment of all the unsettled postwar period. Moreover, the French are suspicious that Mussolini is up to some Machiavellian trick whereby he is seeking to place France under the thumb of a Germano-Italian-British triumvirate by threatening her eternal isolation unless consenting to piecemeal disintegration of all France's postwar European policies.

Due to the recent decision of Germany to avail herself of the rights to increase tariffs afforded in the late Franco-German commercial treaty signed Dec. 28, 1932, affecting a long list of French exports, particularly agricultural products, France has retaliated with approximately 100 new contingents on the most important German exports, these, nevertheless, applying equally to other countries since they are based on a fixed portion of 1932 imports from each country. It is expected that these quotas will later be changed over to a policy of higher tariffs on the products. France, at the same time, has raised the import exchange surtaxes for devalorized currency countries, notably China, Russia, and Japan. Products from these 3 will be forced to pay a 25% ad valorem surtax; imports from New Zealand and

the Union of South Africa will pay only a 15% ad valorem surtax.

France's recent change of heart on the question of paying the postponed Dec. 15 war debt instalment to the United States lost some of its push this week because of the general uncertainty of the future policy of the administration in Washington. The average Frenchman advocates payment of the amount already overdue; the parliamentary attitude clings to the old question—"What will America give us in return for our $20 millions, which technically are not owed anyway? And once paid, this would establish a precedent for more than 100 other such payments, thus mortgaging the birthright of even our grandchildren."

For the first time since October, unemployment has declined while numerous branches of industry are reporting better than expected conditions. Cotton mills are especially active. Some of them have returned to a 48-hour week, though many of them are working only 32 to 40 hours. The cost of living continues high, however, and with wages contracting there are rumblings of discontent.

Germany

Nazis take over power in the Reich with show of old imperial pomp and spirit. Hitler forced to modify some of his theories of economics. Woolworth chain suffers jingoist excesses.

BERLIN (*Cable*)—Imperial regalia in old Germany's most imperial surroundings — Potsdam — marked Chancellor Hitler's rise to the dictatorship of the Reich this week. Almost absolute legislative power, as well as control of the budget, has been voted to the Hitler cabinet. German business showed none of the uneasiness felt almost everywhere outside Germany. Both shares and bonds advanced spectacularly. Even shipping shares were in demand on the prospect of indirect government subsidies.

A week ago shares of the Reichsbank slumped on the report that Dr. Luther would be removed as the active head and replaced by Dr. Schacht. This week this shift was made but business at home and abroad accepted the change calmly. Dr. Schacht has the reputation of a keen banker who was importantly responsible for bringing Germany out of the inflation orgy of 10 years ago and returning the mark to stability. His recent promises that there will be no adventurous experiments with the currency for the sake of creating employment are accepted at their face value (page 23).

During the week, certain more responsible Germans have been encouraged by signs that the Nazis are gradually developing sounder economic principles around which to build their program. While the orthodox Nazi thinks that Germany can easily realize the ideal of economic self-sufficiency, some leaders fully realize the close connection between unemployment and export business in a country where some branches of industry are dependent on foreign markets for 70% to 80% of their sales.

Munich Didn't Understand

This week Herr Krogmann, new Nazi president of the Free City of Hamburg, caused quite a sensation in business circles. He is a prominent Hamburg shipowner (his family has been in the business for 300 years), and an enthusiastic Nazi. In an address delivered at the annual meeting of the old "Far East Association," he made interesting disclosures regarding the evolution of the Nazi "leader's" views on foreign trade:

"The Nazi economic program has so far had one important drawback. Because the movement originated in old and continental Munich, it did not properly appreciate the importance of exports on Germany's economic life. I considered it my special task to bring home to the Nazi leaders the paramount importance of foreign trade for Germany. I venture to say that as a result of these efforts—in which I had the cooperation of some of the most prominent German business leaders—Hitler now fully realizes the importance of the export and shipping business to German industry and he will do all that is in his power to promote them in the common interest of the Reich."

Department stores and chains of "one-price" stores (among which the German Woolworth chain with its 82 units occupies first place) are having a difficult time. Hitler no doubt captured an extra million votes of independent retailers by his promise to declare war on department and chain stores which are ruining the "honest retailer."

Nazis Wanted Action

After the victory, his ardent adherents did not wait for organized action by the central government, but went out immediately for "direct action." Groups of the Nazi storm troops picketed outside department and other stores urging the Germans to "Buy German" and not to support "Jewish" shops. In some cases, they took recourse to less innocent means to prevent the public from entering the besieged stores. Finally, where temperament prevailed over reason, windows were broken and fixtures demolished.

Facing this situation, many stores preferred to close "voluntarily" for a few days. In some towns the police ordered the closing of all department and chain stores on the ground that they constituted a "danger to public order and safety."

This "direct action" on the part of Hitler's brown shirts raised a storm of protest not only on the part of the trade itself, but also on the part of supplying industries which faced cancellation of orders and of labor unions threatened by mass dismissals of personnel in the stores affected.

These appeals from disfranchised and helpless trades did not fail to impress Hitler who issued proclamations to his followers—through the press and the radio—urging them to abstain from such "disorganizing" actions which, besides affecting innocent people, discredited the "national uprising" whose victory Germany is celebrating.

The wave of individual action is receding. But the government will now have to meet its promises, previously stated, and take some concerted action on this delicate problem. Apparently, by way of introduction, department and chain stores will be subject to a higher "trading tax" (a tax levied in proportion to pay rolls) on top of the higher sales tax which was imposed by Bruening under Nazi pressure.

Industrial activity is unchanged this week, but there is a feeling in Germany that the spring pickup is going to be well above normal. Germans are optimistically looking for a "new deal" which will do every one some good.

Great Britain

Business sensitive to German and American developments. Government refinances short-term floating debt. "War" industries active.

LONDON (*Cable*)—British business has been sensitive this week to developments in the United States and in Germany.

The small boom in Wall Street which followed the banking holiday was distrusted from the first. Besides this, the British fear that troubles in the railroad financial structure, and eventually in insurance financing, will develop to mar the present signs of recovery in the United States. This pessimism is offset by confidence in the policies of President Roosevelt. It already seems possible that the World Economic Conference has a better chance for meeting during the summer and for accomplishing something.

There is less dread over what Hitler may do within Germany than over the possibility that his nationalism will lead to some major outbreak in Central Europe. The change from Luther to Schacht as head of the Reichsbank was received calmly in London. Dr. Schacht is recognized as an able banker and he has very recently assured foreign bankers that he will back no currency experiments in Germany.

During the week gilt-edged securities have sold up on the Stock Exchange. Impetus was given to this tendency by the announcement from the treasury that the government's short-term floating debt—which has become unmanageably large during the last 10 months—would be refinanced through a 2½% conversion loan which would be offered piecemeal on a weekly basis, the first offering this week to be for £5 millions.

Banks Abolish Interest

Bank depositors may lose the opportunity to get even the ¼% now paid as interest by most London banks if plans discussed this week are carried out. Because of the difficulty of banks in finding an adequate market in which to place their vast funds as loans, bankers are considering accepting new deposits only for safe-keeping. Building Societies are in somewhat the same predicament, are actually advertising for borrowers.

Trade is entering the pre-budget lull which will continue until Apr. 25. Because of the possibility of a 4-power accord as a result of MacDonald's visit to Rome and the probability that such an accord would allow for certain reductions of military expenditures, and because there is increasing agitation to postpone budget balancing in favor of lower taxes, the public is becoming a trifle more optimistic over smaller tax expenditures. It cannot be ignored, however, that the treasury faces a deficit of £20 millions, and a declining yield on many sources of income.

Boom in War Materials

Industrially, there are signs of slow revival. Imperial Chemical Industries, Britain's largest manufacturers of chemical and war materials, has restored all wage cuts as a result of the recent pickup in business, and paid a final dividend, making 6% for the year.

Persia has recently ordered textile machinery to the value of £40,000. Other orders are expected from Teheran, for it is known the Shah has announced that Persia's new spinning and weaving mills are to be equipped by Britain.

Britain's canning industry is growing. The old Lancashire town of Ormskirk is to have a large pea canning factory built by Hartley's Jam manufacturers. This company already has constructed a similar factory at Aintree, and expects to build several before the chain is completed.

Armour Glass Popular

Glass makers in St. Helens report that the new Armour glass has been a success from the day it was placed on the market (*BW—Jan11'33*). Manufacturers in the same town are also supplying a lining of black glass for the new Mersey Tunnel.

Following the Ottawa conference at which Britain attempted to develop trade within the empire, London served notice on Moscow that the existing trade treaty must be revised. Since the end of the year British and Soviet trade representatives have been working on a new treaty in London. Last week these negotiations were suspended on the suggestion of the British, who refused to bargain so long as the Soviets were holding British technicians prisoners on a charge of sabotage. The Soviets have not mistreated the prisoners but have refused to allow British legal advisers. If the Soviet attitude remains unchanged, complete severance of diplomatic relations is likely to follow. The British are determined to handle the deal firmly. Evidently, the Soviets are in the same frame of mind.

Latin America

Business is quiet. Uruguay regulates payments abroad. Trade commissions are going after new business.

EVEN the political situation in Latin America was relatively unchanged this week. Business was quiet.

A recent law in Uruguay decrees that obligations in foreign currencies contracted directly or indirectly with the exterior which are not honored at maturity, are not to be protested for lack of payment, provided the debtor will prove by means of a certificate issued by the Bank of the Republic stating that it has not been possible to obtain the necessary exchange to cover, that he will deposit the equivalent of the matured obligations in Uruguayan pesos at the exchange of the day, and that he will assume responsibility for the differences that might exist at the time of final liquidation. If the creditor agrees to accept settlement in national currency after the deposit has been effected and before the bank provides the necessary exchange, the debtor and creditor may agree upon the rate for the liquidation of the obligation.

Salesmen Busy

Trade commissions are becoming active in several Latin American countries. Chile with exports down 86% is as active as any country in trying to find a way out of the foreign trade depression. Santiago officials are trying to arrange a new trade treaty with Germany, but it is not likely that they will find much of a market for their surplus barley in view of Hitler's policy of strong agricultural protection. In the past, Chile has supplied quantities of barley to Germany.

Considerable interest has been aroused by the new trade treaty being arranged with the United States. Cuba has agreed to cut the tax on Chilean garlic 50% in return for the Chilean order for 10,000 tons of Cuban sugar.

Argentina has started commercial commissions to Chile and Italy this week, and received a group of Uruguayan business men and diplomats seeking to increase the flow of trade between these 2 countries.

Far East

Japan gives government absolute control over foreign exchange, works for trade advantages in the Far East. Tension in North China eased.

FOR the first time in several months the cotton textile industry in Japan reports that business is falling off slightly. The uncertainty which prevailed throughout the world during, and immediately after, the American banking holiday, and the continuing uncertainty in Europe, is blamed. With the dollar maintaining its old parity, Japanese exporters expect the exchange advantage of the depreciated yen to maintain for them their advantage on foreign markets.

Within the last 2 or 3 weeks there has been increasing pressure from industry for a definite and constructive government program along the following lines: Maintain a "cheap yen" for the sake of the export advantage, particularly at a time when Japan has been more or less isolated by withdrawing from the League of Nations; work for a Russo-Japanese treaty of non-aggression as a preliminary to a commercial pact; attempt to complete additional trade pacts with the Netherlands covering trade with the Dutch East Indies, an important source of oil and copper for Japan; seek to expand and secure trade with Australia.

Foreign Exchange Controlled

The most important development during the week was the passage of the foreign exchange control bill by the Diet. Japanese foreign exchange is now under the strictest regulation by the state. No transactions can take place without governmental permission, the export of currencies and gold bullion is prohibited, and foreign exchange quotations are subject to government approval. It is Japan's move to maintain control of a difficult situation created by heavy military expenditures which have thrown the budget further out of balance, and by the continuing unfavorable balance of trade which reacts against yen exchange.

In North China there continues to be some tension due to the concentration of troops around Peiping and Tientsin, and to the threat that Japanese soldiers will push into the region unless these are withdrawn. In Peiping, however, there is a growing feeling that the Japanese will not attempt to occupy the territory. Chinese buying continues in fair volume.

The Figures of the Week

Business activity is slow in recovering from the effects of the bank holiday. Motor production has been badly handicapped by the financial difficulties in Detroit. Public construction is very slack; private building is better, but still low. Carloadings and electric power down.

THE revival of the steel industry following the bank holiday hinged upon a revival in the motor industry, since the railroad and construction industries have been dull numbers as far as steel consumption is concerned for many a month. But the motor industry is at present handicapped by being so largely centered in the state of Michigan where the bank holiday received early prominence. Virtually since Feb. 11, Michigan has been forced to exist with limited financial facilities. The difficulties, centered around the two important Detroit banks, the First National and the Guardian National Bank of Commerce, are only now approaching a solution with the General Motors Corp. supplanting Ford as the chief industrial backer. In the meantime, but 10% of the deposits of the banks involved have been released, though another 40% is expected. Other Michigan banks with deposits in the Detroit banks are not receiving preference for their deposits, which has further curtailed their banking functions.

Hence the motor industry has been slow in resuming operations on a scale comparable to that before the holiday. Employment in Detroit on Mar. 15 fell to 33.5 against 49.2 at the close of February, a trend distinctly contrary to the seasonal expansion that ordinarily characterizes the spring months. Chevrolet faced the unusual predicament of introducing a new model on a Saturday and closing its plants on the following Monday. Reports on Ford are confusing, with one inference that his plant was closed during the week Mar. 18. The Ford payroll placed at 42,000 before the Michigan holiday is said to have shrunk to 27,000 by the middle of March.

February automobile registrations indicate an 11% decline from January according to returns on passenger cars from 21 states. Truck sales are 18% under the preceding month. Considering the rapid spread of banking moratoria during the last half of February, the returns are better than might be expected.

Pig Iron and Scrap

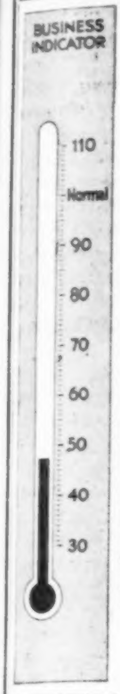
Pig iron and steel scrap markets were in marked contrast to the dullness prevailing in other branches. In Pennsylvania, substantial sales of pig iron were put through with price advances of 50¢ to a $1 a ton above current quotations. Tonnage booked at Chicago was the largest since 1930, according to the *Iron Age*. Steel scrap at Pittsburgh made a second advance of 25¢ a ton within two weeks, and at Youngstown a 50¢ advance was reported.

Structural steel orders dwindled to little over 4,000 tons, of which a quarter was for a brewery addition at Milwaukee. Plans for extensive construction on behalf of breweries are being discussed in preparation for the return of legal beer. The outlook for public construction and the railroads remains unsettled.

How much blame should be attached to the bank holiday and how much to the general stagnation of business for the sorry showing of construction activity in the first half of March is difficult to say. Undoubtedly the former did not

THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	Latest Week	Preceding Week	Year Ago	Five-Year Average (1928-1932)
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*47.2	†48.3	57.6	
PRODUCTION				
Steel Ingot Operation (% of capacity)	15	15	25	67
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$2,330	$2,468	$3,729	$13,456
Bituminous Coal (daily average, 1,000 tons)	*917	878	1,341	1,537
Electric Power (millions K. W. H.)	1,375	1,391	1,538	1,633
TRADE				
Total Carloadings (daily average, 1,000 cars)	73	80	96	136
Miscellaneous and L. C. L. Carloadings (daily average, 1,000 cars)	49	54	60	89
Check Payments (outside N. Y. City, millions)	§	§	$3,180	$4,860
Money in Circulation (daily average, millions)	$7,255	$7,533	$5,537	$4,813
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.50	§	$.52	$.95
Cotton (middling, New York, lb.)	$.065	§	$.068	$.147
Iron and Steel (STEEL composite, ton)	$28.35	$28.35	$29.57	$33.65
Copper (electrolytic, f.o.b. refinery, lb.)	$.052	$.054	$.058	$.137
All Commodities (Fisher's Index, 1926 = 100)	56.1	§	63.1	85.1
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$3,476	$3,661	$1,634	$1,290
Total Loans and Investments, Federal Reserve reporting member banks (millions)	§	§	$19,588	$21,761
Commercial Loans, Federal Reserve reporting member banks (millions)	§	§	$6,975	$8,332
Security Loans, Federal Reserve reporting member banks (millions)	§	§	$5,413	$6,957
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	§	§	$561	$3,113
Stock Prices (average 100 stocks, Herald-Tribune)	$84.08	‡$84.96	$90.59	$148.00
Bond Prices (Dow, Jones, average 40 bonds)	$76.23	‡$75.14	$80.58	$93.26
Interest Rates — Call Loans (daily average, renewal)	4.8%	§	2.5%	4%
Interest Rates — Prime Commercial Paper (4-6 months)	4–4½%	§	3½–3¾%	4.1%
Business Failures (Dun & Bradstreet number)	382	494	708	551

*Preliminary †Revised §Not reported. ‡Mar. 15 only.



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

serve as a stimulator to building activity, since both private and public funds were tied up in the banks. The failure of some thousands of banks to reopen continues to serve as a damper. In addition, communities have apparently curtailed public projects with a vengeance in response to the widespread demands for economies in public expenditures. The federal government has indicated that it favors an extensive program of public projects to absorb the rising army of unemployed, so the present slump may prove temporary.

Contracts Awarded

Only $24.7 millions of contracts were reported for the 37 states east of the Rockies from Mar. 1 to Mar. 15. Instead of reflecting the usual substantial expansion of the construction industry, a 20.8% decline occurred in the daily average lettings compared with February. Compared with a year ago, the drop is over 54%.

The severest slump from the February level appeared in public works and utility awards, where only $7.5 millions of contracts were signed. The daily average fell 26.4% behind February.

Residential activity is making a surprising showing compared with other branches of the construction industry. Awards of $6.6 millions brought the daily average but 4.8% below the February level. An $8-million slum clearance project in New York City received the approval of the R.F.C. recently.

About half of the March awards to date fell in the non-residential category, though the volume of $10.5 millions still represents a 24.7% decline from the February daily average. In the Pittsburgh, Chicago, South Michigan, Kansas City, and New Orleans regions, these awards already exceed the volume for the whole month of February.

Both soft and hard coal production took a small upturn during the week ended Mar. 11. February employment in the Pennsylvania anthracite fields increased 12% over January, while payrolls gained 31%. In 1932, a 7% decline was reported.

Electric power production showed no improvement for the week ended Mar. 18, the spread widening to 10.6% from a year ago. The January analysis of consumption by the Edison Electric Institute reflects an 8.7% decline in sales of electricity to consumers and an 8.4% drop in revenues compared with a year ago. Domestic consumers, fewer in number, are now consuming 3.7% less current than they did last January. Both small and large commercial users are getting along with about 11% less power than a year ago.

Carloadings and the Holiday

The full effect of the bank holiday is apparent in the carloading figures for the week ending Mar. 11, though coal and ore shipments gained over the preceding week. The spread from 1932 jumped from 14.5% for the week of Mar. 4 to 23.9% the following week.

A plan for railroad consolidation is expected momentarily, following recent conferences at the White House with a number of rail executives. The past week brought to light a fourth cut in official salaries on the Pennsylvania, and additional furloughs for the unclassified forces. On the Chicago, Rock Island & Pacific Railway, all non-contract employees have agreed to "donate" the equivalent of 5 days' pay to the road for at least the months of March and April.

No report was made on the volume of check payments or loans and investments of reporting member banks this week, since banking facilities were only partially restored during the period ending Mar. 15. Currency outstanding declined $278 millions for the week ended Mar. 18, as money, largely gold, returned to the banks.

Commodity Prices

Commodity prices registered wide gains following the bank holiday which reached a peak in most major commodities on Mar. 16. Since then, much of the gain has been lost as the temporary shortages occasioned by marketing handicaps and the lessened threat of inflation influenced the markets. The Red Cross is taking over the balance of the Farm Board cash wheat holdings by Aug. 1, leaving the board with less than 30 million bushels of futures, according to the new chairman of the Farm Board, Henry Morgenthau, Jr. The board received better than 8¢ a pound for its March allotment of 62,500 bags of coffee, which was considered a good price by the trade. A snag in the Cuban plan for the segregation of sugar tonnage destined for the U. S. market in 1934 caused a break in prices on Mar. 21, following a steady rise.

The Financial Markets

Money market eases with the dollar strong on all foreign exchanges. Federal Reserve statement shows returning flow of gold and deposits. Bonds and stocks decline for no good reason.

Money

THE forced confinement indoors of dealers in bills and commercial paper during the bank holiday had its reaction in the exuberant display of activity which followed immediately after activities were resumed. For several days there was unrestrained enthusiasm. Then the money market became placid and finally it got a fit of the blues and went down into the doldrums.

Outside of a case of nerves, there is nothing to support the new bearish movement that has gotten under way in Wall Street. Traders went at it too enthusiastically after the market opened and when they found that the results did not meet expectations they promptly turned around and sold short in order to make up for their losses on the bull side.

Great improvement has been effected in the position of the Federal Reserve banks. There has been a return flow of not less than \$327 millions of gold and \$210 millions of the member bank deposits. Borrowings have been reduced by \$190 millions. The ratio of reserves to deposits and Federal Reserve note liability has been raised from 45.6 to 49.1. This improvement was brought about without any further important open market operations, though there has been an increase of \$77 millions in Federal Reserve note circulation. Only \$9 millions of the new Federal Reserve banknote issue was placed in circulation.

Beside the greatly improved position of the Reserve banks, optimists draw considerable comfort from the unexpected strength of the dollar in all foreign exchanges. Little is seen in the daily news as justification for this, except it be a greater appreciation of President Roosevelt's budget and beer plans, and a general flight from European currencies because of the way events are shaping themselves in Germany. (German marks have shown pronounced weakness.)

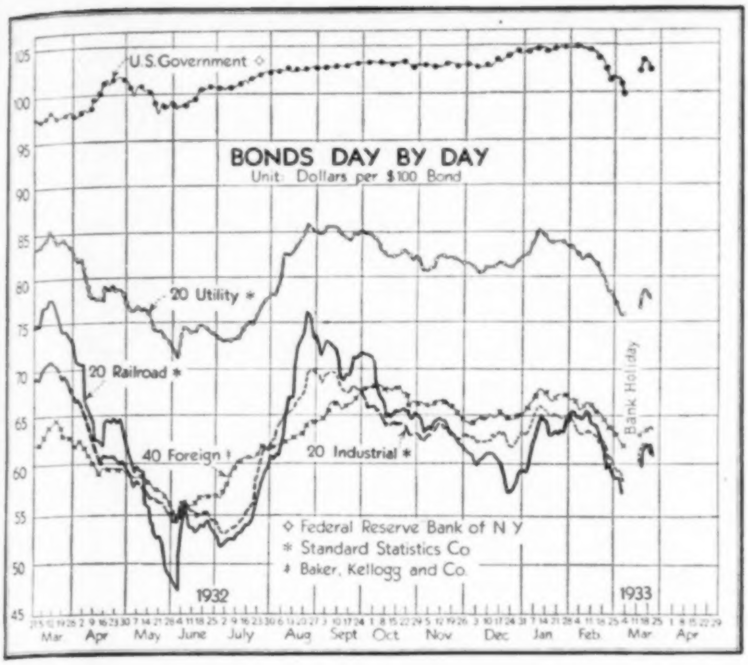
Other supporting factors include: (1) The continued existence of a very substantial balance of foreign trade in this country's favor; (2) an appreciation of the fact that the embargo on gold by the United States government was not intended to be permanent; (3) the existence of an enormous short interest in dollar exchange which has been forced to cover ever since the markets have opened.

The money market has eased off considerably from the stringency which prevailed immediately after the bank holiday. Stock exchange call loans were down to 3% as contrasted with 5% when the exchanges opened. Street trades were down to $2\frac{1}{2}$%. Time money was bid at $2\frac{1}{2}$% and offered at 3%. Commercial paper sold for $3\frac{1}{2}$% and 30-day bankers' acceptances were back to $3\frac{1}{2}$%.

Prospects of an early move on the part of the Roosevelt Administration to undertake a nationwide drive to interest private investors in new refunding issues of United States government obligations has occasioned considerable speculation in Wall Street. It is hoped that there will be a radical change from the present system of fortnightly short-term borrowing by the Treasury which has required the government to lean heavily on banks. Steps are expected to be taken to market long-term securities in order to pay off the shorter loans and then to retackle the refunding of the 4th Liberty $4\frac{1}{4}$'s.

Ten short-term issues will mature on various dates prior to June 15, but there is ground for the belief that no long-term financing will be undertaken until that date, when \$374 millions of $1\frac{1}{2}$% certificates of indebtedness will mature. Wall Street believes that the money market now is in such shape that a $3\frac{1}{2}$% United States government bond could be sold, especially if the bonds were to be issued in denominations sufficiently small to attract the large number of postal savings depositors.

The 4% 5-month paper issued on Mar. 14 is looked upon as exceptionally high and is explained by the stress of circumstances which made it necessary that there be no cloud on government credit at that particular moment. To insure an impressive subscription, the Treasury thought it best to offer a fancy rate.



Stocks

THE stock market has been a disappointing affair. After buoyantly opening well above the closing on Mar. 3, stock prices have declined steadily. Though still above the Mar. 3 point, the general feeling is one of chagrin. Standard Statistics average, which stood at 46.4 on Mar. 3 and was lifted to 54.1 on the reopening day, Mar. 15, has since declined to 48.6. By and large, securities are showing the eroding effects of renewed speculative selling and liquidation.

The pessimistic news on the stock market includes Governor Lehman's recent message to the legislature attacking utility abuses and recommending the correction of the relations between utilities and holding companies. In other circles, the Governor's message was looked upon as constructive in that it will act as a corrective on securities that have been milking the utilities and could not stand on their own legs.

Weakness has developed among the bank stocks. National City stock and that of Chase National are back at par, in spite of a book value which, according to their last statements, is more than double par value. While the country is exultantly acclaiming a new banking era where deposits will be reasonably safe, Wall Street is gloomily surveying the situation from a stockholder's standpoint. The new regulations and the new era are taking profitable opportunities from the banks and making dividend payments improbable for some time to come. Considerations like this tend to qualify the market's enthusiasm.

Bonds

WHEN the bank holiday was over, the bond market was discovered to have ascended considerably higher than at the closing on Mar. 3, and from there it strode blithely to new heights only to become dizzy. The subsequent decline, however, is notable only on comparison with the post-holiday high, and is still considerably above the pre-holiday closing point. United States government bonds average 102.28 against 99.95 on Mar. 3. Utilities are above 77.3 against 75.57 on Mar. 3. Rails have held surprisingly well and are actually higher than after the bank holiday. The same is true of industrial bonds.

The issues that have kept their course best are the foreign bonds. Wiseacres in Wall Street have offered a number of explanations for this unusual strength, none of them particularly tenable. United States governments have shown sporadic strength attributed in part to renewed confidence in the Administration policies, especially with respect to the economy and beer bills, and in part to speculative short covering of sales of government bonds to which speculators were committed when they sold the dollar short.

Medium-grade bonds have held well, and in brokers' offices tips are given out that certain medium-grades are attractive investments at current price levels.

New York State's demand that guarantee mortgage companies cease using their own funds in making payments to clients and seek to obtain waivers of guarantees, apparently had little effect upon bond prices.

THE BUSINESS WEEK
The Journal of Business News and Interpretation
MARCH 29, 1933

Farm Dole

PRESIDENT ROOSEVELT'S farm program has one supreme justification which overrides objections, even sound objections, and there are many of them. It is necessary to do something for the farming population, and do it quickly, before the spring crops are in the ground. Unless we are to create a general rise of prices, we must have a limited rise in prices—those on which agriculture depends. Even a general rise in prices which preserved the disparity between agricultural prices and the prices of manufactured goods would leave the farmer in difficulties.

The objection that this particular farm relief program is not sound in many particulars does not impress us so much as perhaps it should. Of course it isn't fundamentally sound. Nor has any other of the many programs for farm relief been sound. All of them attempt to redress the inequalities created by one unsound situation—our excessive subsidy to industry—not by abolishing that, but by attempting to balance it with another subsidy. Whether this specific program or some other is a little better or worse is matter for debate—but not for long debate. There isn't time.

One way or another, the rest of the population is going to be taxed for the benefit of the farmer. It is a dole. That aspect of the situation is mitigated a little by the reflection that for a long time the farmer has subsidized the rest of us, and by the further circumstance that it is probable, under this specific scheme, that not all of the cost of this dole can be passed along to the consumer by the processor. But much of it will be, there is no escaping that fact; the effect will be that of a sales tax on food and clothing.

The Administration program has an immediate practicality in that it aims, not at subsidizing production, as some of the farm relief schemes have contemplated—including the sorry experiment in market operations by the Farm Board—but at rewarding curtailment. It may bring supply down to existing demand, may even reduce the unwieldy carryovers. Hoover, as well as Roosevelt, recognized this virtue in the land-leasing scheme. Reduction of output seems the expedient and practical course for the present, as so often it seems the only sensible solution for a single industry. But it is a mere expedient. Essentially, restriction of production is anti-social. To the thoughtful man, there is something definitely repugnant in the spectacle of a government's deliberately restricting the supply of food and of clothing when millions are hungry and ill-clad. Would it not be better to make it possible for the hungry to buy?

The most hopeful view to take of the whole program is that perhaps, by improving the lot of one great segment of the population, even at the expense of the rest, we may possibly break the descending spiral of deflation. Given more purchasing power, a great body of consumers may buy more manufactured products, thus providing more jobs for city workers.

It would be difficult to name any other single development which would so effectively strengthen our whole financial structure as a rise in farm prices. Should farm mortgages become good again, thousands of banks would find their position, not merely endurable, but actually comfortable. They would again be in position to make loans to business men, which would stimulate further employment.

This, of course, is the philosophic theory behind the startling and ambitious program. Like the emergency banking legislation, it is not a blue-print for permanent recovery. Most encouraging of all is the engaging candor of the President, who says it is a bold experiment; if it doesn't work out, he promises to drop it quickly.

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